

# **2013 Medical Malpractice Annual Report**

**Claims Closed from Jan. 1, 2008 through Dec. 31, 2012**

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Rates and Forms Division

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## About this report

Early in the last decade, a “hard market” emerged nationally for most types of insurance. During this period, medical professional liability insurance became expensive and hard to find for many types of medical providers and facilities. Beginning in 2005, the Office of the Insurance Commissioner (OIC) began [publishing closed claim information](#) to help policymakers decide how to respond to affordability and availability problems.

In 2006, the Legislature enacted comprehensive health care liability reform legislation ([2SHB 2292](#)) to address a number of concerns, including the cost and availability of medical professional liability insurance. This law also created reporting requirements for medical malpractice claims that are resolved and closed, with the intent to collect data to support policy decisions. The OIC began publishing [annual reports](#) summarizing these data in 2010.

This is the fourth annual report. It includes a snapshot of the medical malpractice marketplace and summary closed claim and settlement data.

This report has three sections:

1. The first describes the current condition of the medical professional liability insurance market.
2. The second summarizes closed claim data reported by insurers, risk retention groups and self-insurers.<sup>1</sup>
3. The third summarizes lawsuit resolution data reported by attorneys.

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<sup>1</sup> For simplicity, we will use the term “insurers” when referring to admitted insurers, surplus lines insurers and risk retention groups.

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## Key statistics

### About the medical professional liability insurance market

- Losses continue to be low.
  - Pure loss ratio peaked at 90.4 percent in 2002, then dropped rapidly over the next three years, due to strong premium growth and improved loss experience.<sup>2</sup> Since 2006, pure loss ratios have been very low, in the 30 to 40 percent range.
  - Incurred losses<sup>3</sup> and defense costs bottomed out at \$88.3 million in 2010 when several insurers lowered reserves for defense costs. Incurred losses and defense costs rose in 2011 and 2012, but were still significantly lower than in the 2002 through 2005 period.
- Lower claim reserves have fueled profitability since 2007. Insurers have lowered reserves for older claims, leading to lower incurred loss and defense costs in recent years.<sup>4</sup> For example, Physicians Insurance has lowered reserves by \$162 million over its original estimates. Reserves released from prior years translate into profit for the current year. Physicians Insurance has returned some of these profits to policyholders in the form of policyholder dividends totaling \$25.3 million from 2008 to 2012.
- Profitability remains strong. For the 2008-2012 period, operating ratios for the two admitted insurers with the largest market shares in Washington were quite low: 73.6 percent for Physicians Insurance and 62 percent for The Doctors Company.<sup>5</sup> Both companies have been very profitable over this period.
- Medical professional liability rates are lower for physicians and surgeons. Physicians Insurance, Washington's largest provider of medical professional liability insurance for physicians and surgeons, reduced its rates by 7.7 percent in 2005, 12.5 percent in 2008, and by another 10.0 percent in 2009. The Doctors Company reduced its rates by 5.1 percent in 2011, 6.6 percent in 2012, and 2.8 percent on April 1, 2013.

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<sup>2</sup> Pure loss ratio means incurred losses divided by direct earned premium. Incurred losses include paid claims and the change in reserves for pending and unknown claims. A pure loss ratio does not include defense and cost containment expenses, which are significant part of the cost to resolve claims.

<sup>3</sup> The total amount of paid claims and loss reserves associated with a particular period. Insurers generally use this formula to compute incurred losses: losses paid during the period, plus outstanding losses at the end of the period, less outstanding losses at the beginning of the period.

<sup>4</sup> Claim reserves are money set aside to meet future payments associated with claims incurred but not settled on a given date. If a claim reserve is too high or an investigation shows there is no legal responsibility to pay the claim, the insurer either lowers the reserve or removes the claim reserve from its books. If an insurer lowers total claim reserves for past years, incurred losses are lower in the current year.

<sup>5</sup> Operating ratios measure overall profitability from underwriting and investment activities. Operating ratios are calculated using countrywide data.

## About verdicts

Information submitted by insurers and self-insurers cannot be directly compared to lawsuit data submitted by attorneys. Insurers and self-insurers report data separately for each defendant, while attorneys submit one final settlement report that includes payments made by all defendants. In spite of these differences, some information reported by both groups about lawsuits is comparable.

- Over the five-year period ending December 31, 2012:
  - Insurers and self-insurers paid \$15.4 million to plaintiffs when a lawsuit led to a plaintiff verdict or judgment. Judgments and verdicts were few in number. Of the 33 plaintiff verdicts or judgments, 29 had a payment reported,<sup>6</sup> averaging \$532,182.
  - Attorneys reported that defendants paid \$15.3 million to plaintiffs when a lawsuit led to a plaintiff verdict or judgment. Judgments and verdicts were few in number, only 15, and resulted in an average payment of \$1 million.<sup>7</sup>
- Most lawsuits are resolved in favor of the defendant. Insurers and self-insurers reported that 188 claims were resolved in their favor in 2012, and 142 per year on average for the prior four years.
- Defending lawsuits is costly to insurers and self-insurers. Insurers and self-insurers spent \$51.4 million defending lawsuits in which they ultimately prevailed, which is more than three times the amount of money paid for plaintiff judgments or verdicts.

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<sup>6</sup> In cases where a lawsuit has more than one defendant, some defendants may not be responsible to compensate the claimant.

<sup>7</sup> These data suggest that lawsuits that get to the trial stage often have more than one defendant, and the compensation to the plaintiff is higher than the average indemnity payment reported by insurers and self-insurers.

## About claim data submitted by insurers and self-insurers

**Total claims:** Insurers and self-insurers reported 5,052 claims closed with an indemnity payment, defense costs, or both types of payments.<sup>8 9</sup> Commercial insurers reported 3,067 claims, self-insured entities reported 1,777 claims, and risk retention groups reported 208 claims.<sup>10</sup>

**Payments to claimants:** Insurers and self-insurers paid \$526.4 million on 2,476 claims over the five-year period, or \$212,604 per paid claim.

- Average indemnity payments over the five-year period varied, from a low of \$170,084 in 2012 to a high of \$248,453 in 2009. Median indemnity payments were about \$50,000 each year, except for 2012 when the median dropped to \$28,300.
- The amount paid for economic loss was \$256.1 million, or an average of \$103,445 per paid claim. On average, insurers and self-insurers attributed 48.7 percent of each claim payment to economic loss.
- Insurers and self-insurers closed 49 percent of all claims with an indemnity payment to a claimant. Most, but not all, claims with paid indemnity also had defense and cost containment expenses.
- Of those claims closed with an indemnity payment, 5.6 percent closed with a payment of \$1 million or more. These claims account for 47 percent of total paid indemnity over the five-year period.

**Defense costs:** Insurers and self-insurers paid \$187.3 million to defend 4,270 claims, or an average of \$43,864 per claim. Average defense costs have varied by year from a low of \$37,192 in 2010 to nearly \$50,000 for both 2008 and 2012.

**Method of settlement:** Insurers and self-insurers settled most claims closed with paid indemnity by negotiation between the claimant and the insurer. For claims with an indemnity payment, insurers and self-insurers settled:

- 77 percent of claims by negotiation, and these settlements comprised 58.1 percent of the total paid indemnity.
- 19.5 percent of claims by alternative dispute resolution (arbitration, mediation, private trial). These settlements comprised 38.3 percent of the total paid indemnity over the five-year period.

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<sup>8</sup> This report includes claims data reported and edited through May 30, 2013.

<sup>9</sup> For simplicity, this report substitutes “defense costs” for the technical phrase “[defense and cost containment expenses](#).” Defense and cost containment expenses are expenses allocated to a specific claim to defend an insured, including expenses such as court costs, fees paid to defense attorneys, and fees for expert witnesses. These expenses do not include the internal costs to operate a claims department.

<sup>10</sup> Commercial insurers include both admitted and surplus lines insurers.



**Payments by type of medical provider:** The insurer or self-insurer identified the type of medical provider in 84.5 percent of the closed claim reports.<sup>11</sup> Claimants made the remaining claims against an organization – not an individual medical provider.

- Nursing resulted in the most closed claims at 623. Of these claims, 417 resulted in paid indemnity, averaging \$122,250. Median paid indemnity was \$27,931.
- For physician specialties, general/family practice had the most claims at 315, with 119 resulting in paid indemnity, averaging \$218,398. Median paid indemnity was \$90,000. Obstetrics and gynecology had the highest average paid indemnity of \$507,199, with median paid indemnity at \$175,000. Claims involving urological surgery had average paid indemnity at \$490,977, and median paid indemnity was \$140,000.

**Payments and defense costs by age of claim:**

- The amount paid to claimants increased with the age of the claim. Of the 2,476 claims closed with an indemnity payment, the 810 claims closed within one year after report date had average paid indemnity of \$62,084. That figure rose to \$231,171 for 701 claims closed in their second year. The 39 claims that closed six or more years after report date had average paid indemnity of \$976,947.
- The amount paid for defense costs also increased with the age of the claim. Of the 4,270 claims closed with defense costs, 1,152 closed within one year after report date and had an average defense cost of \$6,389. That figure rose to \$27,560 for 1,487 claims closing in their second year. The 61 claims that closed six or more years after report date had an average defense cost of \$238,870.

**Regional comparisons:** Just over one-third of the claims, or 1,752, came from King County. Of these, 53.2 percent resulted in indemnity payments totaling \$226.6 million, or an average of \$243,132 per claim.

**Allegations:**

- Improper performance was the most common allegation. This allegation resulted in 988 claims and 541 indemnity payments that averaged \$131,708.
- Vicarious liability was the second most common allegation. This allegation resulted in 477 claims and 159 indemnity payments that averaged \$192,296.

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<sup>11</sup> Physician specialties, dental specialties and other types of medical providers.

## About lawsuits filed and settled by attorneys

If an attorney files a lawsuit to resolve a medical incident, he or she should report data about that lawsuit to the Office of the Insurance Commissioner (OIC) once the litigation is resolved. Here are a few statistics:

**Compensation to claimants:** Attorneys reported that claimants received total compensation of \$311.9 million on 470 claims, or \$663,528 per settlement. Attorney fees were \$112.0 million, or an average of \$238,380 per settlement with an indemnity payment. On average, the attorney fee was 35.9 percent of the total compensation paid to the claimant.

**How lawsuits settled:** When an indemnity payment was made, 50.2 percent of lawsuits were settled in mediation. Mediated settlements had an average indemnity payment of \$748,092 and an average legal fee of \$306,882. Only 15 lawsuits were reported as resolved by jury verdicts in favor of the plaintiff. These verdicts resulted in total paid indemnity of \$15.3 million and average paid indemnity of \$1 million.

**Regional comparisons:** More than one-third of the lawsuits, or 191, came from King County. King County had the highest total paid indemnity at \$145.7 million, the third highest average paid indemnity at \$791,769 and the second highest legal expense per lawsuit at \$316,613.

**Settlement by age of claimant:** The most expensive settlements involved newborns and infants. In these cases, the average settlement was \$2.2 million and the average legal expense was \$875,204.

## Introduction

Under [chapter 48.140 RCW](#), insurers, risk retention groups (collectively “insurers”) and self-insurers must submit a report to the OIC every time they close a medical malpractice claim.<sup>12</sup> Under [RCW 7.70.140](#), attorneys must report aggregate settlement data from all defendants after they resolve all claims related to a medical malpractice lawsuit. This report includes data submitted by insurers, self-insurers and attorneys in summary form that protects the confidentiality of persons and organizations involved in the claim or settlement process.<sup>13</sup>

Insurers, self-insurers and attorneys must report claim data for the prior year to the OIC by March 1 of each year.<sup>14</sup> Over the past couple of years, attorney compliance with the reporting law has been disappointing, and the OIC does not have enforcement mechanisms to improve compliance.<sup>15</sup> As a result, this report provides very few summary exhibits for settlement data reported by attorneys, since the OIC cannot draw conclusions from incomplete data. Most of the exhibits in this report focus on data reported by insurers and self-insurers.<sup>16</sup>

This report has three sections:

### 1) Market analysis

This section is an overview of the medical professional liability insurance market in Washington and around the country that includes:

- An analysis of the profitability of the largest authorized medical malpractice insurers in Washington.
- Information about medical malpractice rate changes approved last year.
- Information about incurred losses and defense costs for medical professional liability insurance.

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<sup>12</sup> A Risk Retention Group (RRG) is an owner-controlled insurance company authorized by the Federal Risk Retention Act of 1986. A RRG provides liability insurance to members who are in similar or related business or activities. The federal act allows one state to charter an RRG and allows the RRG to engage in the business of insurance in all states. The federal act preempts state law in many significant ways. See [RCW 49.92.030\(1\)](#). For simplicity, and to protect confidentiality of data, we include them with all other insurers in this report.

<sup>13</sup> [RCW 48.140.040\(3\)](#) says the OIC must take steps to protect the confidentiality of claim data, and [RCW 48.140.060](#) required the OIC to adopt rules to achieve this result.

<sup>14</sup> See [RCW 48.140.020\(2\)](#) and [WAC 284-24E-090](#).

<sup>15</sup> In 2010, the OIC proposed legislation, which the Legislature did not enact, that would have added enforcement mechanisms to the existing law. These bills were introduced as [SB 6412](#) and [HB 2963](#)

<sup>16</sup> [RCW 48.140.050](#) lists information that must be provided by this report.

## 2) Closed claim statistics reported by insurers, risk retention groups and self-insurers

Insurers and self-insurers report claims they close with an indemnity payment and/or defense costs.<sup>17 18</sup> Each closed claim report is associated with one defendant.<sup>19</sup>

People make medical malpractice claims for a variety of reasons, or “allegations.” People can make allegations against an organization, such as a hospital, against a medical provider, or both.

Settlement data reported by attorneys are different from closed claim data. Attorneys report settlement data after all claims are resolved, and the settlement amount they report is the *total* compensation a plaintiff received from *all* defendants. Average settlement data submitted by attorneys will have much higher average payments, because many settlements involve more than one defendant.

Insurers and self-insurers reported three primary types of closed claim data:

1. Defense costs: These are expenses paid to defend claims, and include expenses allocated to a specific claim, such as court costs and fees paid to defense attorneys or expert witnesses. They do not include internal costs to settle claims, such as salaries for claims staff or operating overhead for a claims department.<sup>20</sup>
2. Economic damages: Most of these amounts are estimates of the claimant’s economic damages made by the insurer or self-insurer when it makes a payment to settle the claim.<sup>21</sup> In a few cases, a court itemized economic damages when it issued a verdict, and these amounts are included in the totals.
3. Paid indemnity: The amount the insurer or self-insurer paid to the claimant to resolve the claim.

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<sup>17</sup> [RCW 48.140.010](#)(1) defines a claim.

<sup>18</sup> Under [WAC 284-24D-060](#), if an insurer or self-insurer closes a claim without an indemnity payment or defense costs, it is not required to report the claim to the OIC.

<sup>19</sup> [RCW 48.140.010](#)(3) defines a closed claim.

<sup>20</sup> See [WAC 284-24D-020](#)(1), [WAC 284-24D-330](#) and [WAC 284-24D-340](#).

<sup>21</sup> See [RCW 4.56.250](#)(1)(a), [WAC 284-24D-350](#), [WAC 284-24D-360](#), [WAC 284-24D-362](#), [WAC 284-24D-364](#), and [WAC 284-24D-370](#).

### 3) Lawsuit statistics reported by attorneys

If an attorney files a lawsuit alleging medical malpractice, the attorney must report data after the lawsuit is resolved. The OIC has worked with the Washington State Association for Justice and Washington State Bar Association to improve compliance.<sup>22</sup> Despite these efforts, many attorneys do not comply with RCW 7.70.140, so data in this report are incomplete. The OIC cannot draw conclusions from incomplete data, so the section of the report containing lawsuit resolution data submitted by attorneys is not as detailed as the closed claim section.

Attorneys report two primary types of settlement data:

1. Total paid indemnity: Total compensation paid by all defendants to the claimant as the result of the lawsuit. Indemnity payments may come from several defendants if a lawsuit named more than one party.<sup>23</sup>
2. Legal expenses: All sums paid by the claimant to the attorney, including attorney fees, expert witness fees, court costs, and all other legal expenses.<sup>24 25</sup>

### Closed claim and lawsuit statistics are different

One cannot compare data reported by insurers and self-insurers to the data reported by attorneys because insurers and self-insurers report:

- All closed claims if the insurer or self-insurer makes payments or incurs expenses to defend the claim. Attorneys report data only if they filed a lawsuit against one or more defendants.
- Data separately for each defendant. Attorneys submit one final settlement report that includes payments made by all defendants they sued.

*Example: If an attorney sues several medical providers for their actions related to an incident with a poor medical outcome, some providers may resolve the litigation early, while others may be involved in the dispute resolution process for years. Insurers and self-insurers report claims as they resolve the claims against their customers, while an attorney waits until claims against all defendants are resolved to report the settlement.*

One final reason the OIC cannot make comparisons: Insurers, self-insurers and risk retention groups have been much more diligent in reporting closed claim data, and the OIC can draw more information from their reports.

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<sup>22</sup> The Washington State Association for Justice was formerly the Washington State Trial Lawyers Association.

<sup>23</sup> [WAC 284-24E-150](#).

<sup>24</sup> Attorney fees for legal representation are generally contingent fees that are payable if indemnity payments are made by one or more defendants.

<sup>25</sup> [RCW 7.70.140\(2\)\(b\)\(v\)](#).

## Snapshot of the medical professional liability insurance market

This section of the report provides an overview of the medical malpractice market in Washington primarily using calendar year premium and loss data obtained from the National Association of Insurance Commissioners (NAIC).

### Market participants

The medical professional liability insurance market has three primary participants:

- Admitted insurers regulated by the OIC.
- Unregulated surplus lines insurers.
- Risk retention groups regulated by their home state.

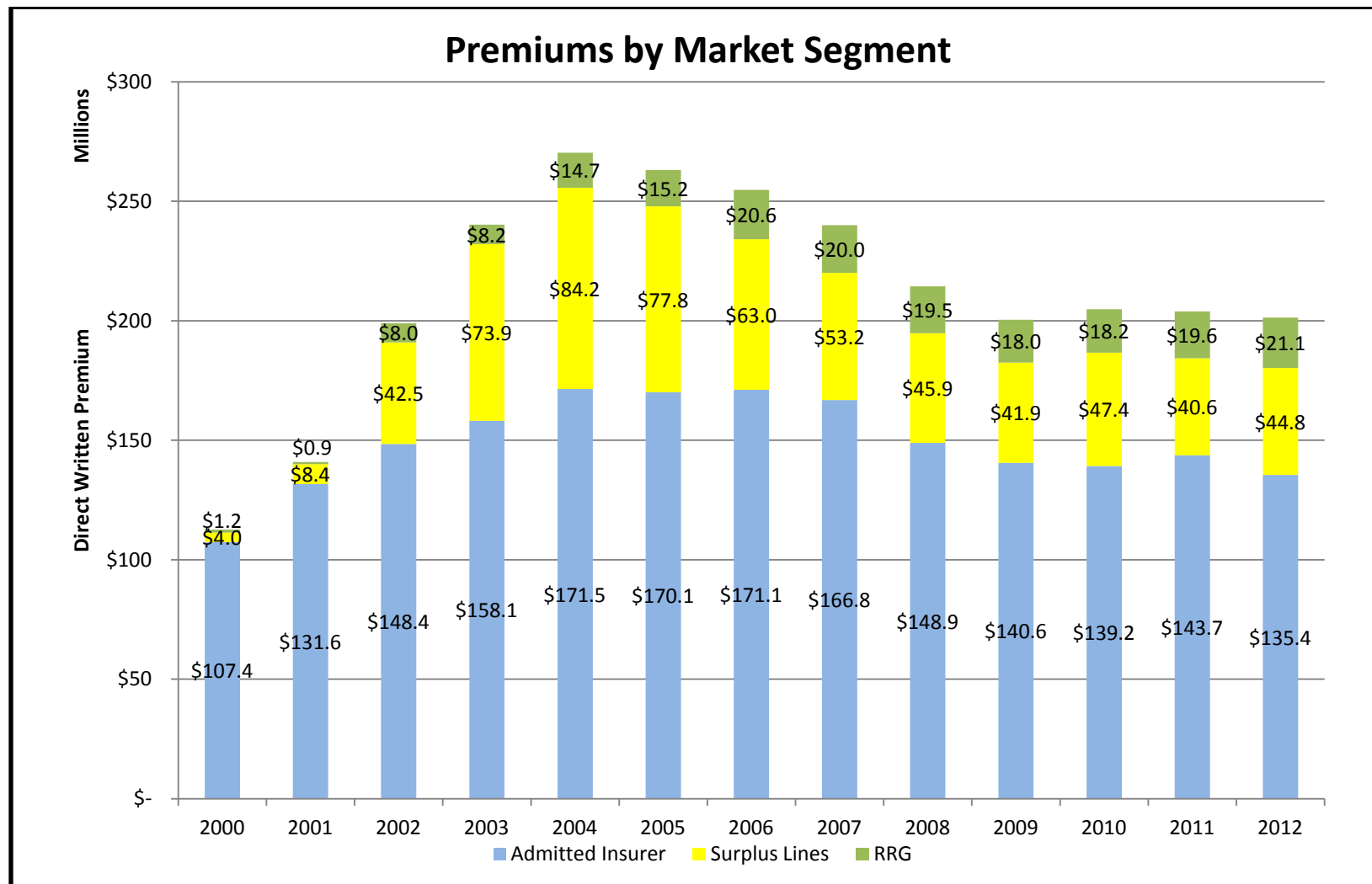
In 2000, admitted insurers wrote 95.4 percent of medical professional liability insurance premiums in Washington. Physicians Insurance Group led the market with 52.7 percent of the admitted market share and 50.3 percent of total market share.<sup>26</sup> By 2012, the admitted market wrote only 67.3 percent of premium, and the remainder of the market belonged to surplus lines insurers and risk retention groups. Physicians Insurance still had nearly half of the admitted market share at 49.4 percent, but its share of the overall market was much lower at 33.3 percent.

The market for medical professional liability insurance is changing. In the hard market, many physicians absorbed double-digit premium increases, and many sought relief by becoming hospital employees. Physician groups are also consolidating into larger entities, further limiting new and renewal business opportunities for insurers. In response to changing market conditions, Physicians Insurance filed a new program for hospitals and employed physicians in 2011, reflecting the company's need to expand its product offerings in the face of continued movement of physicians from independent practice to employment with hospitals or in large physician groups.

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<sup>26</sup> In 2000, Physicians Insurance Group sold insurance through three companies: Physicians Insurance, A Mutual Company; Western Professional Insurance Company and Northwest Dentists Insurance Company. Western Professional Insurance Company is no longer actively writing insurance, and a group including the ODS Companies and the Washington State Dental Association purchased Northwest Dentists Insurance Company in 2007.

This chart shows the distribution of written premium for each segment of the medical professional liability insurance market. Combined, surplus lines insurers and risk retention groups increased their annual written premium substantially since 2000. Largely due to surplus lines premiums, total written premium peaked in 2004, declined for five consecutive years, then stabilized.



## Loss history

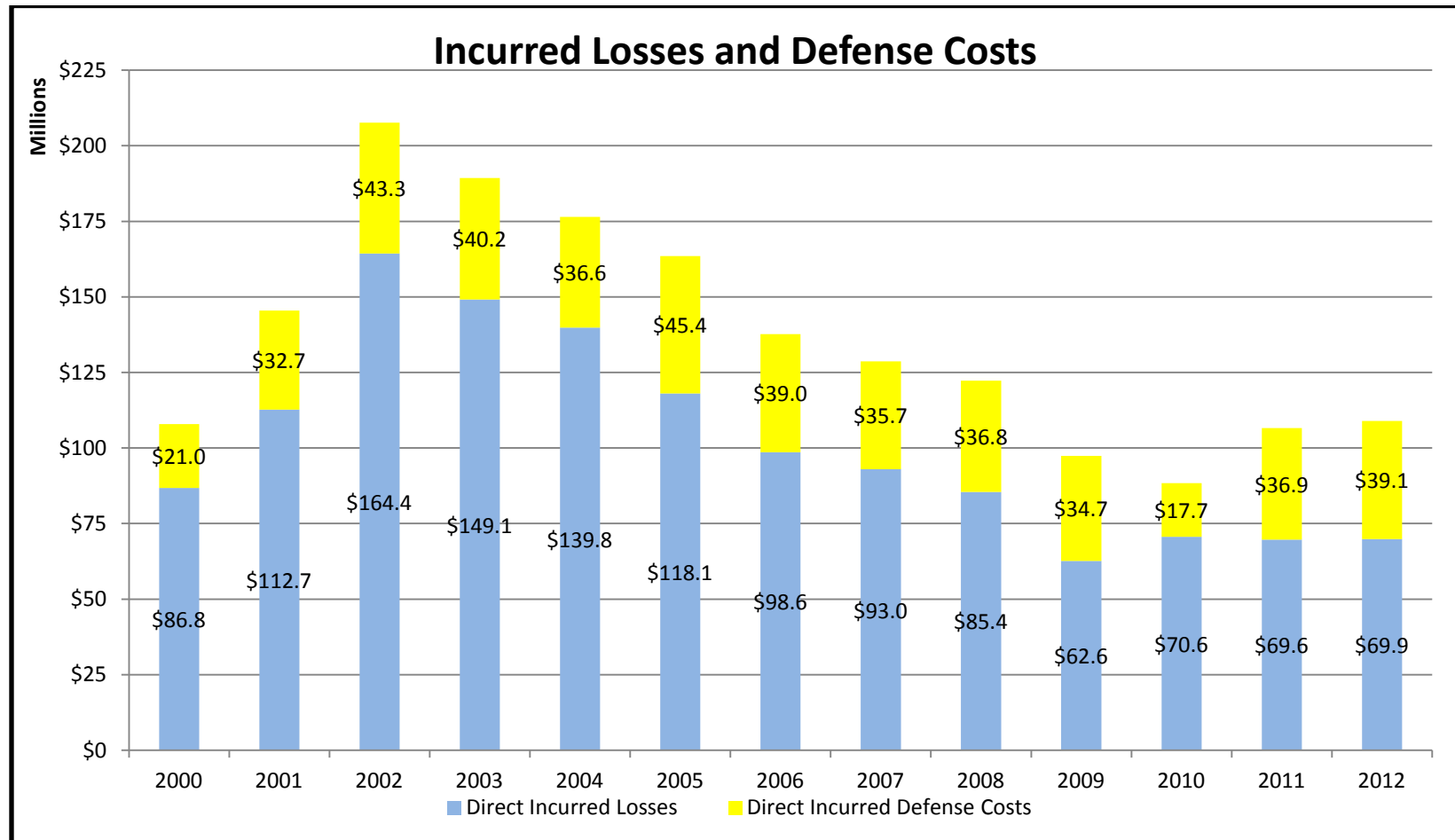
Overall, medical professional liability insurance loss ratios in Washington dropped significantly since 2002, which had a period-high pure loss ratio of 90.4 percent.<sup>27</sup> Incurred defense costs were also high in 2002, which led to an incurred loss and defense cost ratio of 114.2 percent. Premiums increased significantly the following two years and, combined with lower incurred losses and defense costs, led to large decreases in both the pure loss ratio and the loss and defense cost ratio through 2004. The unusual drop in defense costs in 2010 is the result of significant decreases in defense cost reserves by a few insurers, and defense costs normalized in 2011. In 2012 the loss and defense cost ratio remained low, although it was higher than the ratios for the prior six years. The following table summarizes this period for the total market, which includes admitted insurers, surplus lines insurers and risk retention groups.

Year	Direct Written Premium	Direct Earned Premiums	Direct Incurred Losses	Pure Loss Ratio	Direct Incurred Defense Costs	Incurred Losses & Defense Costs	Incurred Loss & Defense Cost Ratio
2000	\$112,633,177	\$109,996,218	\$86,819,505	78.9%	\$21,039,714	\$107,859,219	98.1%
2001	\$140,929,627	\$134,008,616	\$112,729,787	84.1%	\$32,745,710	\$145,475,497	108.6%
2002	\$198,969,671	\$181,843,628	\$164,372,251	90.4%	\$43,275,166	\$207,647,417	114.2%
2003	\$240,251,605	\$234,439,488	\$149,126,311	63.6%	\$40,242,563	\$189,368,874	80.8%
2004	\$270,352,631	\$258,075,781	\$139,822,747	54.2%	\$36,610,655	\$176,433,402	68.4%
2005	\$263,090,674	\$258,403,214	\$118,070,079	45.7%	\$45,446,560	\$163,516,639	63.3%
2006	\$254,759,071	\$253,104,467	\$98,628,303	39.0%	\$39,005,295	\$137,633,598	54.4%
2007	\$239,959,432	\$241,654,054	\$92,960,987	38.5%	\$35,676,308	\$128,637,295	53.2%
2008	\$214,357,164	\$218,726,595	\$85,445,904	39.1%	\$36,841,513	\$122,287,417	55.9%
2009	\$200,445,437	\$202,466,303	\$62,633,183	30.9%	\$34,721,641	\$97,354,824	48.1%
2010	\$204,786,151	\$199,165,328	\$70,634,175	35.5%	\$17,701,695	\$88,335,870	44.4%
2011	\$203,869,400	\$201,195,699	\$69,646,648	34.6%	\$36,923,847	\$106,570,495	53.0%
2012	\$201,288,240	\$193,926,182	\$69,871,999	36.0%	\$39,070,682	\$108,942,681	56.2%

<sup>27</sup> We calculated loss ratios using direct premiums and incurred losses, which exclude amounts ceded to reinsurers.



This chart shows statewide industry incurred losses and defense costs by calendar year. Incurred losses and defense costs began to decline in 2003, due to reductions in claim reserves and fewer overall claims, until they bottomed out in 2010.<sup>28</sup>



<sup>28</sup> If an insurer finds that it will not use a claim reserve to pay a claim, the insurer will remove the claim reserve from its incurred losses. Incurred losses are paid losses plus the change in outstanding reserves for a given period, so this action will reduce incurred losses in the current year.

## Lower claim reserves

Data reported to the NAIC by Physicians Insurance and The Doctors Company show favorable loss development trends. Loss development is the change in the estimated cost of a particular group of claims between the beginning and end of a period in time. Favorable development means that later estimates of losses and defense costs were lower than the earlier estimates.<sup>29</sup>

Reserves released from prior years translate into profit for the current year, and favorable reserve development generally results in lower insurance rates over time. Appendix C shows a summary of the medical professional liability rate filings filed recently with the OIC. Since last year's report, both The Doctors Company and Medical Protective Company filed rate decreases of 2.8 percent for physicians.

The first page of Appendix B shows data from Physicians Insurance's 2012 annual statement.<sup>30</sup> This table shows the change in incurred loss and defense cost reserves over time. Overall, Physicians Insurance has had very favorable incurred loss development. Two-year development was (\$42.0) million, and cumulative development over the entire period was (\$162) million. Physicians Insurance has returned some of these profits to policyholders in the form of policyholder dividends totaling \$25.3 million from 2008 to 2012.<sup>31</sup>

Appendix B also shows favorable development for The Doctors Company, which is one of the top writers of medical professional liability insurance in the United States, with \$631.9 million in direct written premium in 2012. Nationally, The Doctors Company has seen two-year development of (\$148) million. Only 3.3 percent of The Doctors Company written premiums come from Washington, so much of the reserve development is the result of lower estimates in other states. However, these data do show that Washington is one of many states where loss experience has improved for medical professional liability insurance.

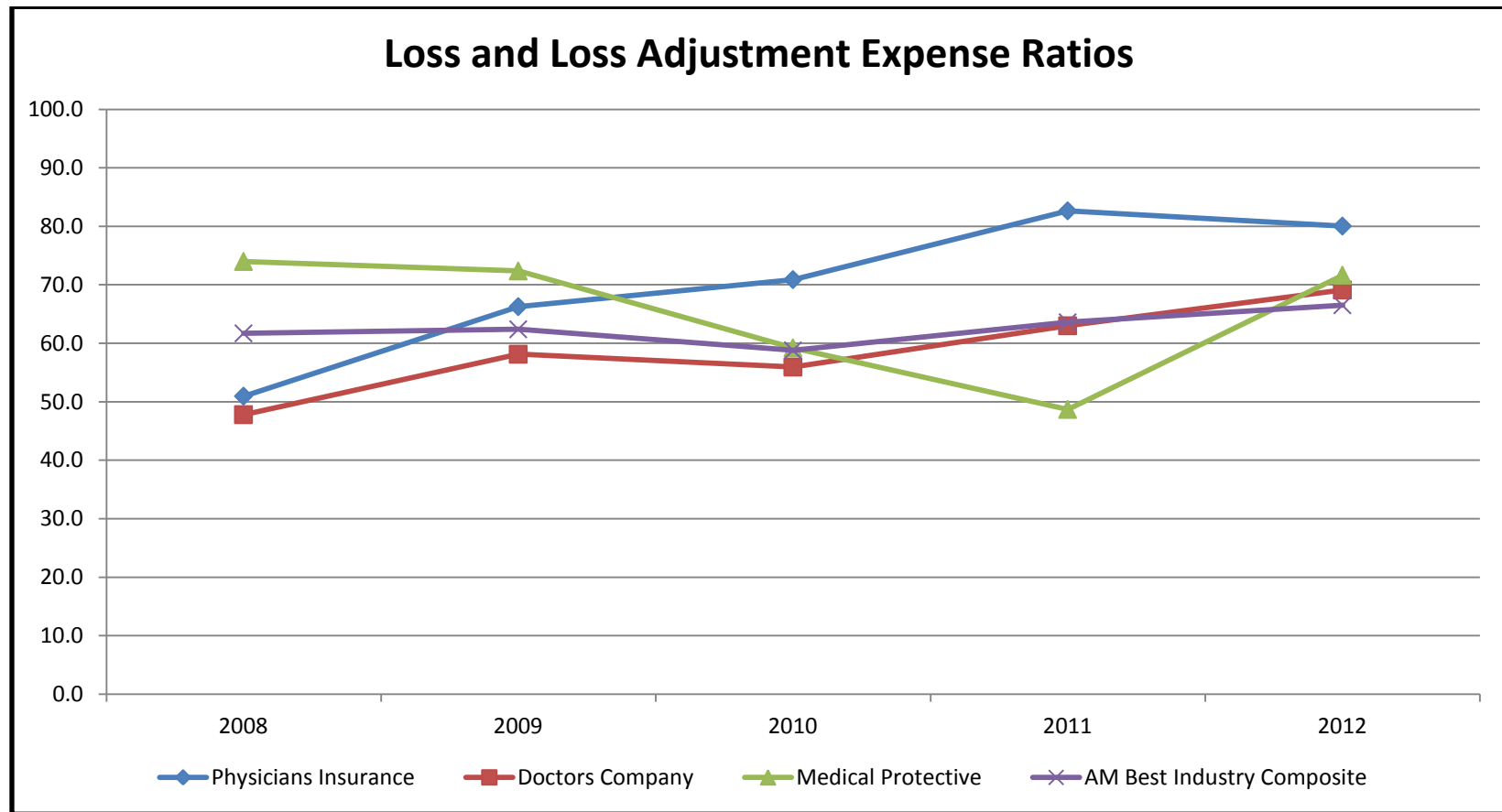
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<sup>29</sup> Insurers compile the first estimate of incurred losses three months after the end of the year. Medical malpractice claims often take a long time to resolve and the first estimate of incurred losses may be very inaccurate and subject to revisions in later years. There will be changes to total incurred losses from one period to the next, as more claims are paid and the insurer revises reserves for other claims using new information. "Loss development" is the technical term for the change in incurred losses from period to period.

<sup>30</sup> Consolidated data from Schedule P, part 2, sections 1 and 2 for medical professional liability occurrence and claims made policies. These data are for policies written in all states. Washington-specific data are not available.

<sup>31</sup> Insurers may be reluctant to lower rates in Washington until they understand the impact of recent state Supreme Court decisions. Waples v. Yi, 169 Wn.2d 152 (2010) and Putnam v. Wenatchee Valley Med. Ctr., 166 Wn.2d 974, 216 P.3d 374 (2009) ruled [RCW 7.70.100\(1\)](#) and [RCW 7.70.150](#) unconstitutional. Mohr v. Grantham, 172 Wn.2d 844; 262 P.3d 490 (2011) held that there is a cause of action in the medical malpractice context for the loss of a chance of a better outcome.

This chart compares loss and defense cost ratios for Physicians Insurance, The Doctors Company, and Medical Protective to cumulative data obtained from A.M. Best.<sup>32</sup> Recent loss ratios for Physicians Insurance have been higher than for the market overall, but the gap narrowed in 2012.



<sup>32</sup> Best's Special Report – U.S. Medical Professional Liability Segment Review, May 6, 2013. Current and historical results represent all companies that have filed with A.M. Best as of 4/15/13 or approximately 97 percent of the total composite.

## Washington market in 2012

Physicians Insurance Company dominates the admitted medical professional liability insurance market in Washington. The Doctors Company and Medical Protective are important participants in the market due both to premium volume and their strong position in the national medical professional liability marketplace.<sup>33</sup> Results for Physicians Insurance are the best barometer of the profitability of medical professional liability insurance sold to physicians in this state. Data from the Doctors Company and Medical Protective provide a snapshot of the overall profitability of medical professional liability insurance nationwide.

<u>Insurer</u>	2012 Direct Written Premiums		
	Washington	Nationwide	WA % of Nationwide
Physicians Insurance	\$66,935,433	\$72,848,738	91.9%
The Doctors Company	\$21,094,289	\$631,890,587	3.3%
Washington Casualty Company	\$15,219,000	\$18,212,367	83.6%
Medical Protective Company	\$9,221,323	\$618,004,266	1.5%

<u>Admitted Insurer</u>	Washington Direct Premiums Written (Millions)	Admitted Market Share
Physicians Insurance	\$66.9	49.4%
The Doctors Company	\$21.1	15.6%
Washington Casualty Company	\$15.2	11.2%
Medical Protective Company	\$9.2	6.8%
All Other Admitted Insurers	\$22.9	16.9%
Total	\$135.4	100.0%

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<sup>33</sup> Washington Casualty Company had financial problems and was placed into receivership to rehabilitate the company in March 2003. Washington Casualty emerged from receivership in 2006 and FinCor Holdings bought it. ProMutual Group bought FinCor Holdings in 2010.

## The national market in 2012

Appendix A shows the profitability for these insurers for the ten-year period ending December 31, 2012 using two ratios: the operating ratio, which is the combined ratio minus the net investment income ratio<sup>34 35</sup> and the combined ratio, which is the sum of the expense ratio, loss ratio and dividend ratio.<sup>36 37 38 39</sup>

This table summarizes overall profitability by operating ratios.<sup>40 41</sup> Operating ratios for Physicians Insurance and The Doctors Company were high in 2003 and then improved. The improvement was due to higher premiums and lower incurred losses and defense costs.

Year	Operating Ratio		
	Physicians Insurance	Doctors Company	Medical Protective
2003	99.3%	116.3%	
2004	90.2%	93.2%	
2005	82.1%	72.4%	
2006	74.9%	66.7%	71.6%
2007	48.5%	62.0%	79.2%
2008	53.3%	49.1%	68.8%
2009	69.3%	67.4%	65.8%
2010	74.1%	52.5%	51.9%
2011	86.2%	61.6%	41.9%
2012	86.2%	76.8%	65.8%

<sup>34</sup> The operating ratio measures a company's overall operational profitability from underwriting and investment activities. If an operating ratio is below 100, the company is making a profit from its underwriting and investment activities.

<sup>35</sup> The net investment income ratio is calculated by dividing net investment income by net earned premiums.

<sup>36</sup> The combined ratio measures how well an insurance company is performing in its daily operations. A ratio below 100 percent means the company is making an underwriting profit. A company can make an operating profit if the combined ratio is above 100%, because the ratio does not include investment income.

<sup>37</sup> The expense ratio is calculated by dividing incurred underwriting expenses by net written premiums.

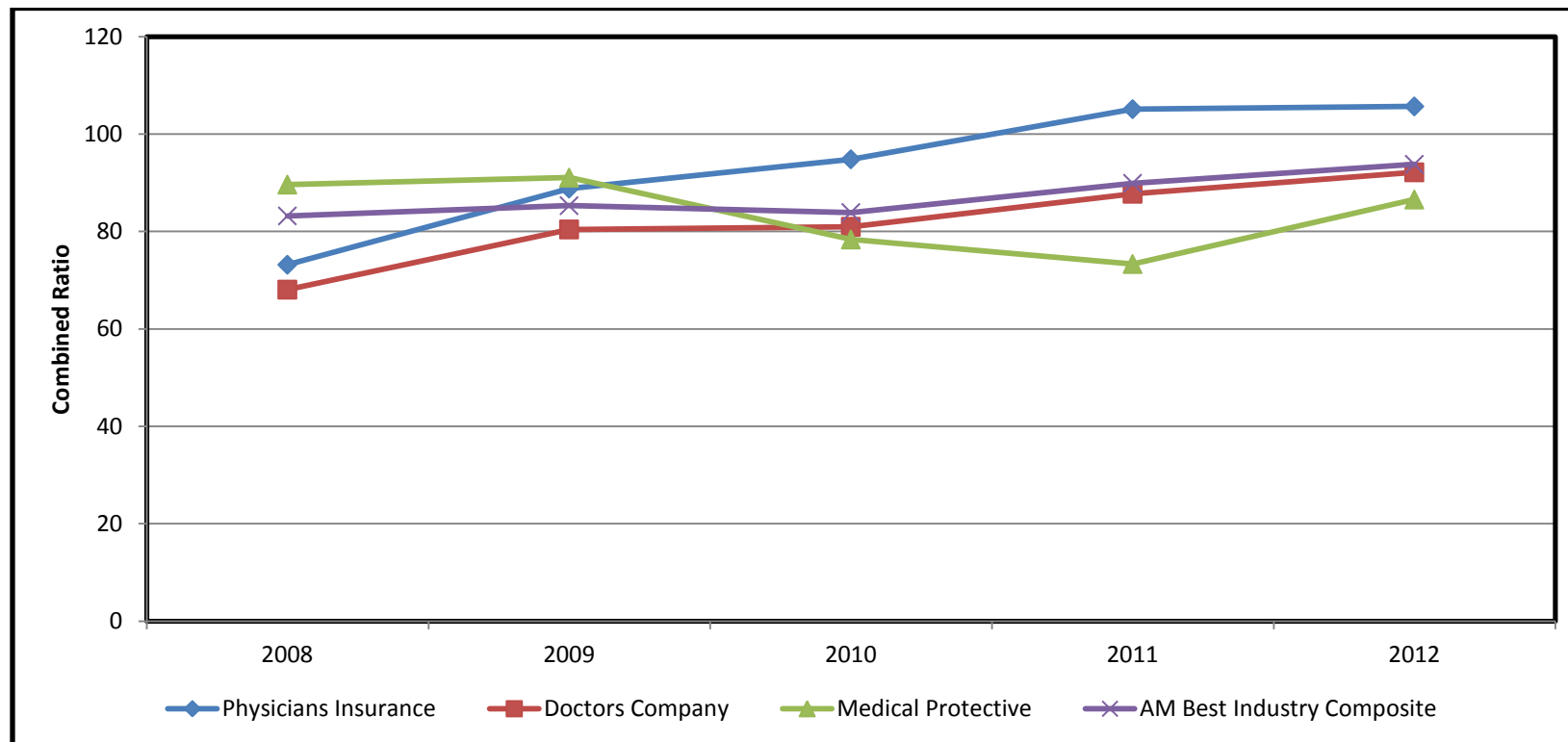
<sup>38</sup> The loss ratio is calculated by dividing losses and defense costs by net earned premiums.

<sup>39</sup> The dividend ratio is calculated by dividing policyholder dividends by net earned premiums.

<sup>40</sup> Changes in ownership have distorted operating ratio data for Washington Casualty Company, so it is not provided.

<sup>41</sup> Acquisition by Berkshire Hathaway distorted historical operating ratios of the Medical Protective Company. As a result, we only provide operating ratios for calendar years 2006-2012. Refer to Appendix A.

This chart compares combined ratios from Physicians Insurance, The Doctors Company, and Medical Protective to cumulative data obtained from A.M. Best.<sup>42 43</sup>



<sup>42</sup> Most of our analysis uses operating ratios as a measure of profitability, since it measures overall operational profitability from underwriting and investment activities. A.M. Best has published only combined ratio data for 2012, so we substituted this profitability measure in this chart.

<sup>43</sup> Best's Special Report – U.S. Medical Professional Liability Segment Review, May 6, 2013. These are cumulative countrywide data reported to A.M. Best and published in their reports. Current and historical results represent all companies that have filed with A.M. Best as of 4/15/13 or approximately 97% of the total industry composite.

## Information about medical malpractice claims

	Year Closed					Five-Year Total
	2008	2009	2010	2011	2012	
Total Claims Closed	883	860	926	1,211	1,172	5,052
Number of Indemnity Payments	458	411	459	539	609	2,476
Total Paid Indemnity	107,815,931	\$102,114,279	\$97,728,452	\$115,167,100	\$103,580,927	\$526,406,689
Average Indemnity Payment	235,406	\$248,453	\$212,916	\$213,668	\$170,084	\$212,604
Median Indemnity Payment	\$50,000	\$50,000	\$50,000	\$49,650	\$28,300	\$45,000
Total Economic Loss	\$53,123,399	\$44,643,434	\$51,270,280	\$51,966,202	\$55,126,765	\$256,130,080
Average Economic Loss	\$115,990	\$108,621	\$111,700	\$96,412	\$90,520	\$103,445
Median Economic Loss	\$36,305	\$25,000	\$29,800	\$25,000	\$24,975	\$26,068
Number of Claims With Defense Costs	774	741	788	1,070	897	4,270
Total Defense Costs	\$38,300,233	\$32,033,354	\$29,307,469	\$43,034,747	\$44,622,682	\$187,298,485
Average Defense Cost	\$49,484	\$43,230	\$37,192	\$40,219	\$49,747	\$43,864
Median Defense Cost	\$10,819	\$9,065	\$6,395	\$9,070	\$12,700	\$9,518

### Payments to claimants

Over the five-year period, insurers and self-insurers paid \$526.4 million on 2,476 claims, or \$212,604 per paid claim.<sup>44 45</sup> Both the average indemnity payment and median indemnity payment dropped substantially in 2012.<sup>46</sup>

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<sup>44</sup> These data differ from what we reported in prior reports, because reporting entities can edit their data. For example, a reporting entity can re-open a claim, make additional payments, and edit the report to show it closed a year later than earlier reported.

<sup>45</sup> There was one abnormally large payment in 2009. An entity made a payment of \$14.35 million and, due to the public nature of the claim resolution, gave us permission to footnote this report with indemnity payment information. If we remove that indemnity payment, the average indemnity payment for 2009 drops to \$214,059.

<sup>46</sup> The median is the number in the middle of a set of numbers (half the numbers have values greater than the median, and half have values that are less).

Over the five-year period, total economic loss was \$256.1 million, or an average of \$103,445 per paid claim. On average, insurers and self-insurers attributed 48.7 percent of indemnity payments to economic loss. Over the five-year period, median economic loss was \$26,068.

### **Defense costs**

Insurers and self-insurers paid \$187.3 million to defend 4,270 claims, or an average of \$43,864 per claim with defense costs. Average and median defense costs dropped in 2009 and 2010, but increased since then, returning to 2008 levels. Claims reported by insurers and self-insurers included defense costs 84.5 percent of the time.

### **Related claims**

Insurers and self-insurers identified medical incidents for which they defended more than one claim. This happens if a claimant alleges more than one medical provider or facility is responsible for their injury and the insurer or self-insurer covers both parties. Approximately 10 percent of individual claims reports were part of a multi-claim incident, and about half of these incidents resulted in indemnity payments. The aggregate average indemnity payment per incident was \$503,328, which is 2.4 times the average “per claim” indemnity payment of \$212,604.

Often, not all of the individual claims related to a given incident are resolved at the same time, so there can be a lag between the insurer’s or self-insurer’s first claim report related to an incident and their final report that closes the series of related claims. This means that average indemnity payments at the incident level will increase over time as additional claims related to previously reported incidents are resolved.



## Lawsuit summary

This table summarizes data related to litigation.<sup>47</sup>

<u>Lawsuits</u>	<u>Five-year period ending December 31, 2012</u>						
	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Cost
No Lawsuit Filed	2,654	1,411	\$117,664,250	\$83,391	1,907	\$13,184,366	\$6,914
Lawsuit Filed	2,398	1,065	\$408,742,439	\$383,796	2,363	\$174,114,119	\$73,684
Totals	5,052	2,476	\$526,406,689	\$212,604	4,270	\$187,298,485	\$43,864

Of the 5,052 total claims, claimants filed lawsuits 47.5 percent of the time. Insurers and self-insurers incurred defense costs in 98.5 percent of the claims in which the plaintiff filed a lawsuit, averaging \$73,684. Lawsuits resulted in indemnity payments 44.4 percent of the time, averaging \$383,796. For claims without litigation, claimants were compensated 53.2 percent of the time, with an average indemnity payment of \$83,391.

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<sup>47</sup> These data are not comparable to lawsuit settlement data reported by attorneys. Insurers and self-insurers report data separately for each defendant. Attorneys submit one settlement report that includes payments made by all defendants named in the lawsuit.

## Method of settlement

This table shows that insurers and self-insurers most often settled claims by negotiation, comprising 42.2 percent of the reported claims and 58.1 percent of total paid indemnity.

<u>Five-year period ending December 31, 2012</u>									
<u>Method of Claim Resolution</u>	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Median Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Costs	Median Defense Costs
Abandoned by Claimant	1,552	43	\$251,394	\$5,846	\$1,296	1,525	\$18,530,272	\$12,151	\$1,891
Settled by Parties	2,131	1,907	\$305,679,975	\$160,294	\$25,000	1,387	\$64,233,488	\$46,311	\$14,473
Court disposed Claim	787	44	\$19,118,342	\$434,508	\$70,566	786	\$56,174,377	\$71,469	\$20,633
Alternative Dispute Resolution	582	482	\$201,356,978	\$417,753	\$197,500	572	\$48,360,348	\$84,546	\$48,270
<b>Total</b>	<b>5,052</b>	<b>2,476</b>	<b>\$526,406,689</b>	<b>\$212,604</b>	<b>\$45,000</b>	<b>4,270</b>	<b>\$187,298,485</b>	<b>\$43,864</b>	<b>\$9,518</b>

Plaintiff verdicts or judgments are few in number. Insurers and self-insurers reported 33 claims resolved by plaintiff verdict or judgment, of which 29 claims resulted in an indemnity payment.<sup>48</sup> These claims comprised 0.7 percent of total claims and 4.2 percent all claims resolved by the courts. The courts ruled in favor of the defendant in the vast majority of cases.

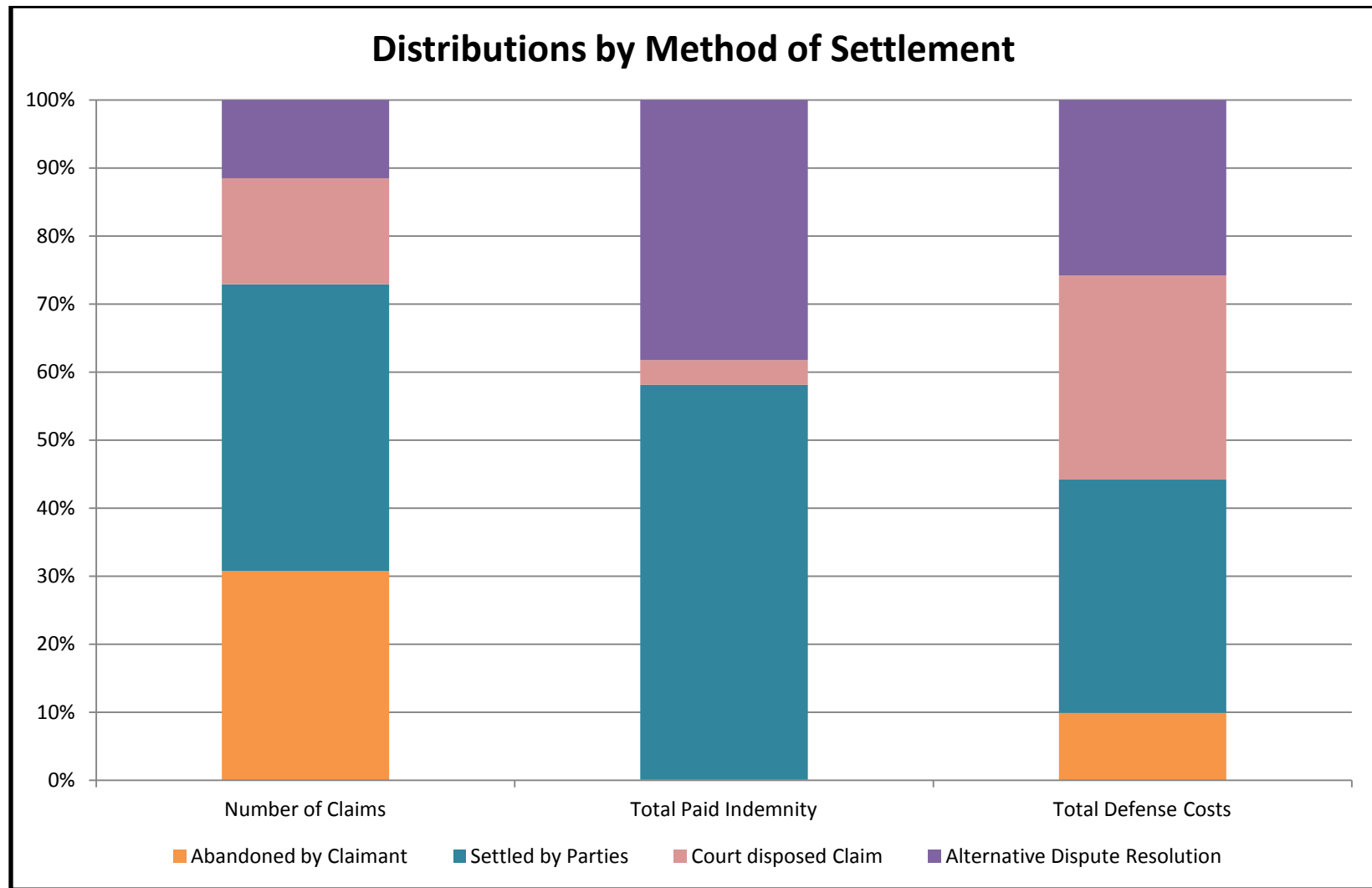
The 33 plaintiff verdicts or judgments resulted in average paid indemnity of \$532,182.

Of the 2,131 claims settled by the parties, insurers and self-insurers resolved most through informal negotiation. These settlements occurred before requesting an arbitration, mediation or private trial 43.4 percent of the time, and an additional 54.2 percent of claims settled before the start of a trial or hearing.

Of the 1,552 claims abandoned by the claimant, 99.3 percent of these claims were abandoned before a formal trial or hearing.

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<sup>48</sup> In cases where a lawsuit has more than one defendant, some defendants may not be responsible to compensate the claimant.



About one-third of claims were abandoned by the claimant. Claims settled by the courts accounted for a small portion of total indemnity payments, but a substantial portion of total defense costs.

Insurers and self-insurers used alternative dispute resolution to settle 582 claims. Mediation was used to resolve 88.1 percent of these claims. Mediation led to the second highest average paid indemnity at \$423,717. Median paid indemnity for claims settled by mediation was \$200,000 and median defense costs were \$46,830. Private trials were the most costly form of alternative dispute resolution for both average paid indemnity and average defense costs.<sup>49</sup>

<u>Five-year period ending December 31, 2012</u>							
<u>Method of Alternative Dispute Resolution</u>	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Cost
Arbitration award for Plaintiff	22	21	\$4,661,279	\$221,966	20	\$1,803,900	\$90,195
Arbitration decision for Defense	21	0	\$0	\$0	21	\$2,410,433	\$114,783
Mediation	513	445	\$188,553,846	\$423,717	506	\$40,604,557	\$80,246
Private trial	26	16	\$8,141,853	\$508,866	25	\$3,541,458	\$141,658
Total	582	482	\$201,356,978	\$417,753	572	\$48,360,348	\$84,546

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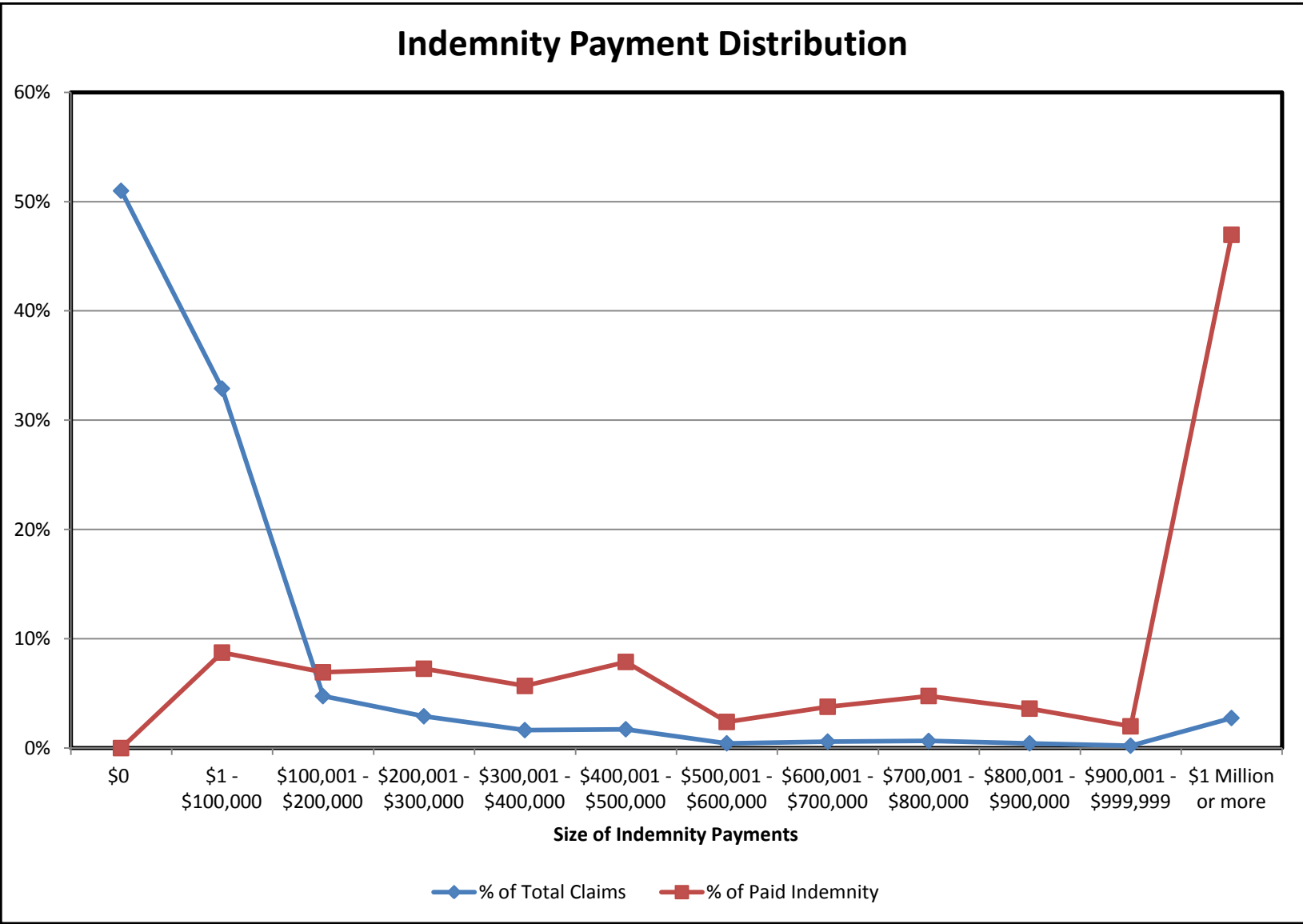
<sup>49</sup> A private trial most closely resembles an actual court trial and the procedures used are almost identical. The main difference is that the parties must agree to an individual, usually a retired judge, to sit as a "judge pro tempore" (temporary judge) and render a decision. As its title suggests, the trial is held in private and may be confidential.

## Size of indemnity payments

This table shows that insurers and self-insurers settled about half of all claims without making an indemnity payment, and two-thirds of the remaining claims had indemnity payments of \$100,000 or less. The average indemnity payment in this range was \$27,677 and 413 claims were reported with indemnity payments less than \$5,000.

There were 139 claims settled for \$1 million or more, and those claims produced 47 percent of the total paid indemnity, or an average of \$1.8 million per claim.

<u>Five-year period ending December 31, 2012</u>					
<u>Range of Paid Indemnity</u>	<u>Total Number of Claims</u>	<u>% of Claims</u>	<u>Total Paid Indemnity</u>	<u>% of Paid Indemnity</u>	<u>Average Paid Indemnity</u>
\$0	2,576	51.0%			
\$1 - \$100,000	1,662	32.9%	\$45,998,498	8.7%	\$27,677
\$100,001 - \$200,000	240	4.8%	\$36,490,498	6.9%	\$152,044
\$200,001 - \$300,000	147	2.9%	\$38,204,694	7.3%	\$259,896
\$300,001 - \$400,000	83	1.6%	\$29,930,758	5.7%	\$360,612
\$400,001 - \$500,000	87	1.7%	\$41,485,997	7.9%	\$476,851
\$500,001 - \$600,000	22	0.4%	\$12,588,372	2.4%	\$572,199
\$600,001 - \$700,000	30	0.6%	\$19,900,970	3.8%	\$663,366
\$700,001 - \$800,000	33	0.7%	\$25,103,045	4.8%	\$760,698
\$800,001 - \$900,000	22	0.4%	\$18,999,789	3.6%	\$863,627
\$900,001 - \$999,999	11	0.2%	\$10,490,400	2.0%	\$953,673
\$1 Million or more	139	2.8%	\$247,213,668	47.0%	\$1,778,516
Total	5,052	100.0%	\$526,406,689	100.0%	\$212,604



### Claims with paid indemnity below and above \$500,000

Most claims were resolved with an indemnity payment of \$500,000 or less, and median paid indemnity for these claims was \$30,000. Insurers and self-insurers paid much more money to settle claims over \$500,000, and median paid indemnity for these claims was \$1 million. Many physicians carry malpractice insurance with a policy limit of \$1 million per incident, so many claims were settled for exactly \$1 million.

<u>Five-year period ending December 31, 2012</u>						
<u>Range of Paid Indemnity</u>	Total Number of Claims	% of Claims with Paid Indemnity	Total Paid Indemnity	% of Total Paid Indemnity	Average Paid Indemnity	Median Paid Indemnity
\$500,000 or less	2,219	89.6%	\$192,110,445	36.5%	\$86,575	\$30,000
Over \$500,000	257	10.4%	\$334,296,244	63.5%	\$1,300,764	\$1,000,000
Total	2,476	100.0%	526,406,689	100.0%	\$212,604	\$45,000

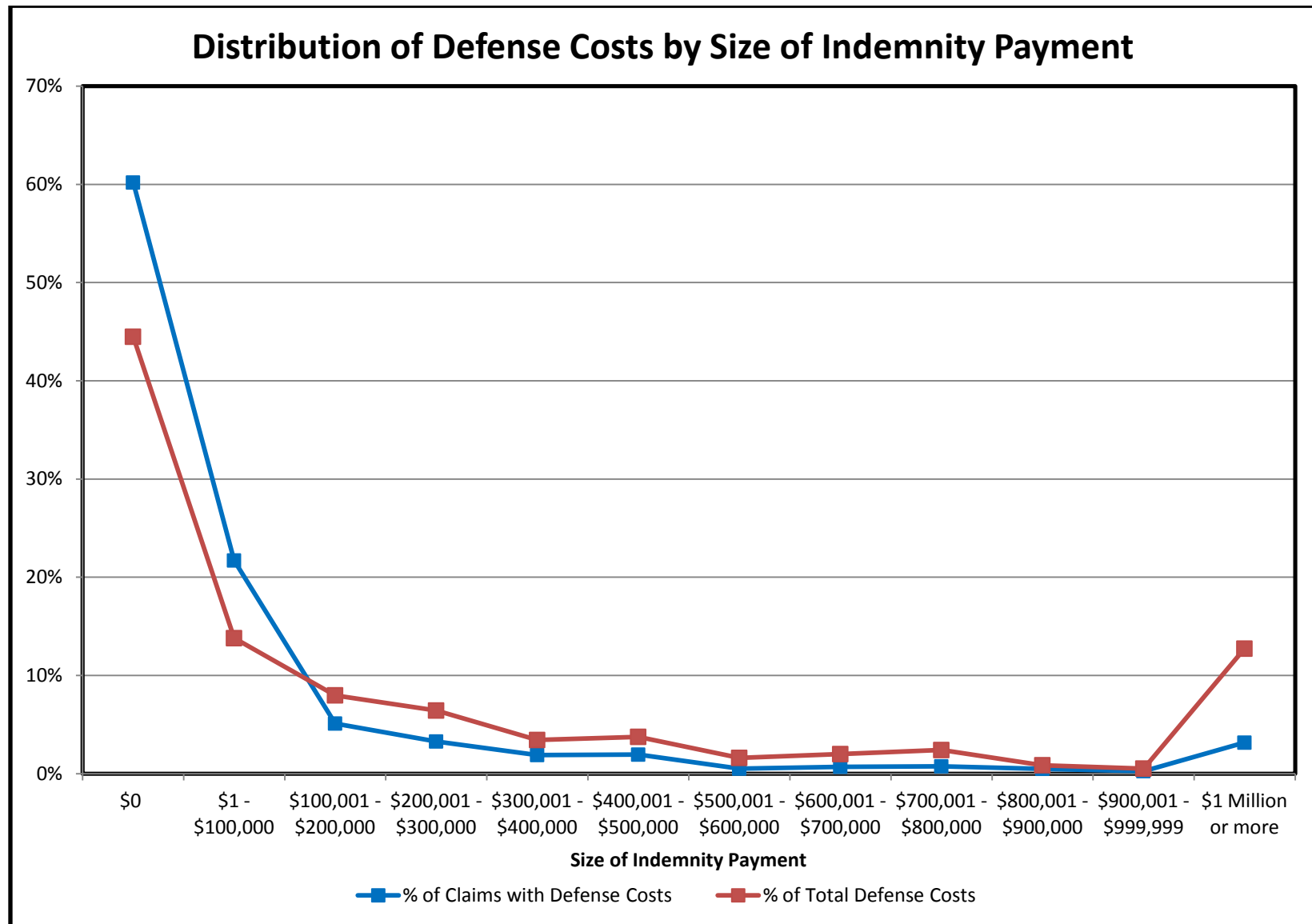
## Defense costs by size of indemnity payment

This table shows how defense costs are related to the size of the indemnity payment. Insurers and self-insurers did not make an indemnity payment for 60.2 percent of claims with defense costs, yet these claims accounted for 44.5 percent of all defense costs. Average defense costs for these claims were \$32,422.

There were 135 claims with defense costs that settled for \$1 million or more, and those claims produced 12.7 percent of the total defense costs, or an average of \$176,630 per claim.

<u>Range of Paid Indemnity</u>	<u>Five-year period ending December 31, 2012</u>				
	Number of Claims with Defense Costs	% of Claims with Defense Costs	Total Defense Costs	% of Total Defense Costs	Average Defense Cost
\$0	2,570	60.2%	\$83,323,944	44.5%	\$32,422
\$1 - \$100,000	927	21.7%	\$25,844,038	13.8%	\$27,879
\$100,001 - \$200,000	218	5.1%	\$14,941,247	8.0%	\$68,538
\$200,001 - \$300,000	140	3.3%	\$12,044,266	6.4%	\$86,030
\$300,001 - \$400,000	81	1.9%	\$6,428,132	3.4%	\$79,360
\$400,001 - \$500,000	83	1.9%	\$7,024,162	3.8%	\$84,628
\$500,001 - \$600,000	22	0.5%	\$3,011,982	1.6%	\$136,908
\$600,001 - \$700,000	30	0.7%	\$3,739,581	2.0%	\$124,653
\$700,001 - \$800,000	32	0.7%	\$4,509,278	2.4%	\$140,915
\$800,001 - \$900,000	21	0.5%	\$1,610,963	0.9%	\$76,713
\$900,001 - \$999,999	11	0.3%	\$975,780	0.5%	\$88,707
\$1 Million or more	135	3.2%	\$23,845,112	12.7%	\$176,630
Total	4,270	100.0%	\$187,298,485	100.0%	\$43,864





### Defense costs for claims with paid indemnity below and above \$500,000

Most claims with defense costs and the majority of total defense costs were for claims with paid indemnity in the \$0 to \$500,000 range. Median defense costs for claims up to \$500,000 were \$7,973, versus \$95,097 for claims settled for more than \$500,000. Many medical malpractice claims have relatively small amounts paid for defense costs.

<u>Five-year period ending December 31, 2012</u>						
<u>Range of Paid Indemnity</u>	Number of Claims with Defense Costs	% of Claims with Defense Costs	Total Defense Costs	% of Total Defense Costs	Average Defense Cost	Median Defense Cost
\$0 to \$500,000	4,019	94.1%	\$149,605,789	79.9%	\$37,225	\$7,973
Over \$500,000	251	5.9%	\$37,692,696	20.1%	\$150,170	\$95,097
Total	4,270	100.0%	\$187,298,485	100.0%	\$43,864	\$9,518

## Paid indemnity and defense costs by age of claim

This table shows claims by age at the date they are closed. Average indemnity and average defense costs tend to increase with the age of the claim.<sup>50</sup>

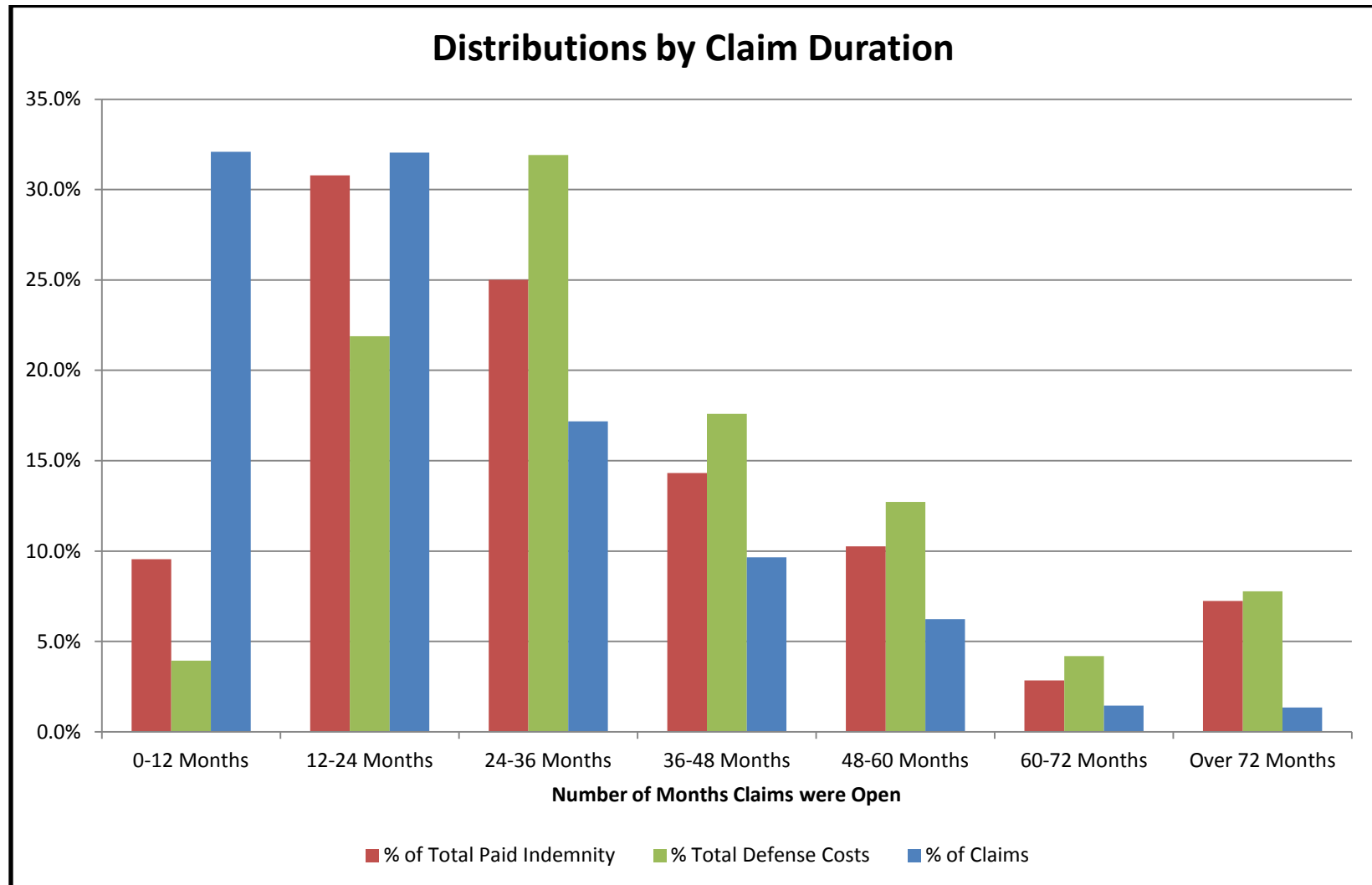
Five-year period ending December 31, 2012								
Notice Date to Closed Date	Total Number of Claims	% of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Costs
0-12 Months	1,621	32.1%	810	50,288,313	\$62,084	1,152	7,360,558	\$6,389
12-24 Months	1,619	32.0%	701	162,050,636	\$231,171	1,487	40,982,123	\$27,560
24-36 Months	868	17.2%	433	131,632,225	\$304,001	832	59,773,266	\$71,843
36-48 Months	488	9.7%	252	75,392,424	\$299,176	445	32,941,096	\$74,025
48-60 Months	315	6.2%	209	53,995,957	\$258,354	226	23,833,852	\$105,460
60-72 Months	73	1.4%	32	14,946,214	\$467,069	67	7,836,523	\$116,963
Over 72 Months	68	1.3%	39	38,100,920	\$976,947	61	14,571,067	\$238,870
Total	5,052	100.0%	2,476	\$526,406,689	\$212,604	4,270	\$187,298,485	\$43,864

Claims closed within the first 12 months represented 32.1 percent of total claims and had the lowest average defense costs and average paid indemnity. For the entire group of 5,052 claims, the average length of time between loss date and date closed was 22.6 months and the median length of time was 18.3 months. The oldest group of claims had the highest average defense costs and average paid indemnity. Insurers and self-insurers closed 81.3 percent of all claims within 36 months after they received notice of the claim. Overall, claims closed within 36 months account for 65.3 percent of total paid indemnity and 57.7 percent of total defense costs.

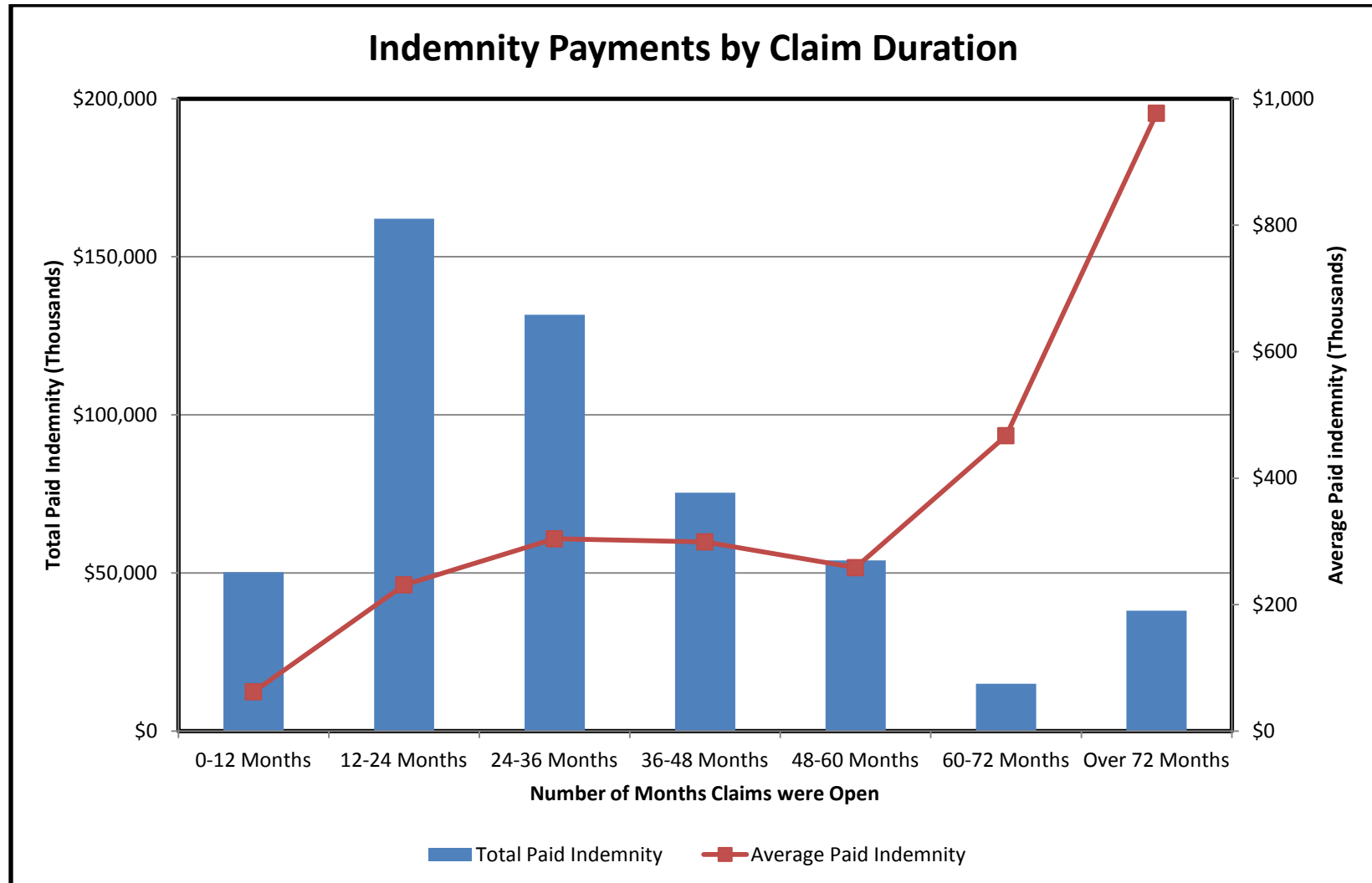
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<sup>50</sup> How long a claim is open, or the “duration” of the claim, is an indicator of how costly the claim will be to resolve. Duration means the length of time between the date the insurer or self-insurer received notice of the claim and the date the insurer or self-insurer closed the claim.

This chart shows the distribution of claims, indemnity payments and defense costs in relation to the time between the date the claim was made and the date it was settled.



This chart shows total and average paid indemnity by age of claim.

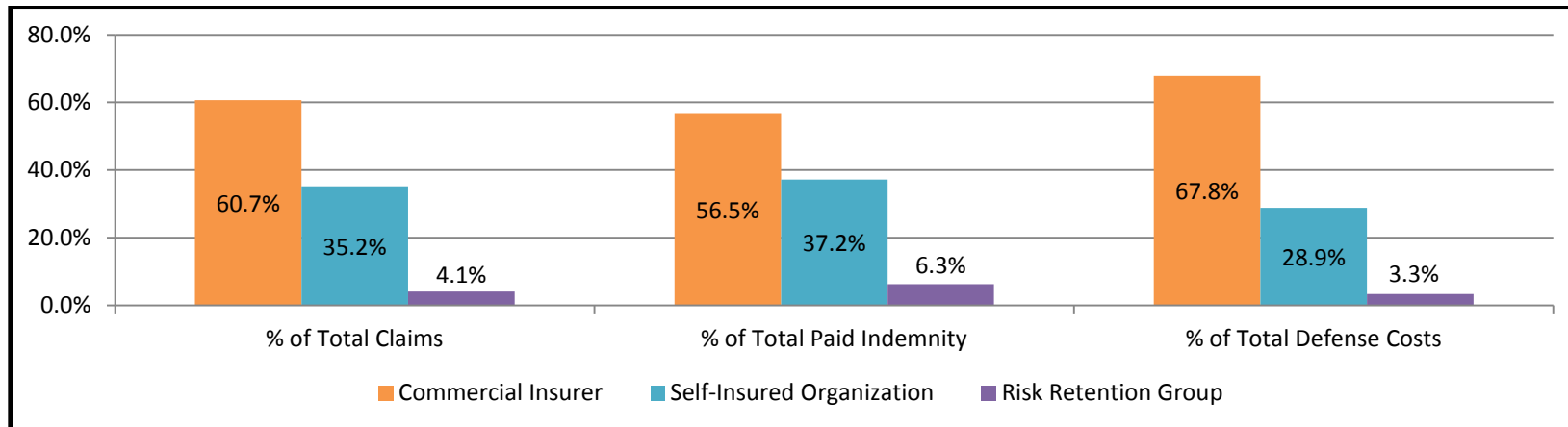


## Type of insuring entity

Commercial insurers reported the highest number of claims and had the highest average defense costs.<sup>51</sup> Self-insured organizations reported the second highest number of claims, and had the lowest average defense costs. Risk retention groups had the highest average paid indemnity due to one large indemnity payment of \$14.35 million. If we exclude this claim, average paid indemnity drops to \$159,089 and average defense costs drop to \$35,188.

<u>Reporting Entity</u>	<u>Five-Year Period Ending December 31, 2012</u>						
	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Costs
Commercial Insurer	3,067	1,444	297,651,049	\$206,130	2,646	127,034,020	\$48,010
Self-Insured Organization	1,777	914	195,792,276	\$214,215	1,474	54,055,510	\$36,673
Risk Retention Group	208	118	32,963,364	\$279,351	150	6,208,955	\$41,393
Total	5,052	2,476	526,406,689	\$212,604	4,270	187,298,485	\$43,864

This chart shows the distribution of claims, indemnity payments and defense costs for each type of reporting entity.



<sup>51</sup> Commercial insurers include admitted (licensed) and surplus lines insurers.

## Severity of injury

This table shows compensation by severity of injury.<sup>52</sup> Insurers and self-insurers most often classified injuries as minor and temporary, and these claims had the lowest average paid indemnity of \$32,160. Minor temporary injuries comprised 28.6 percent of total claims, 5 percent of total paid indemnity and 9.4 percent of defense costs.

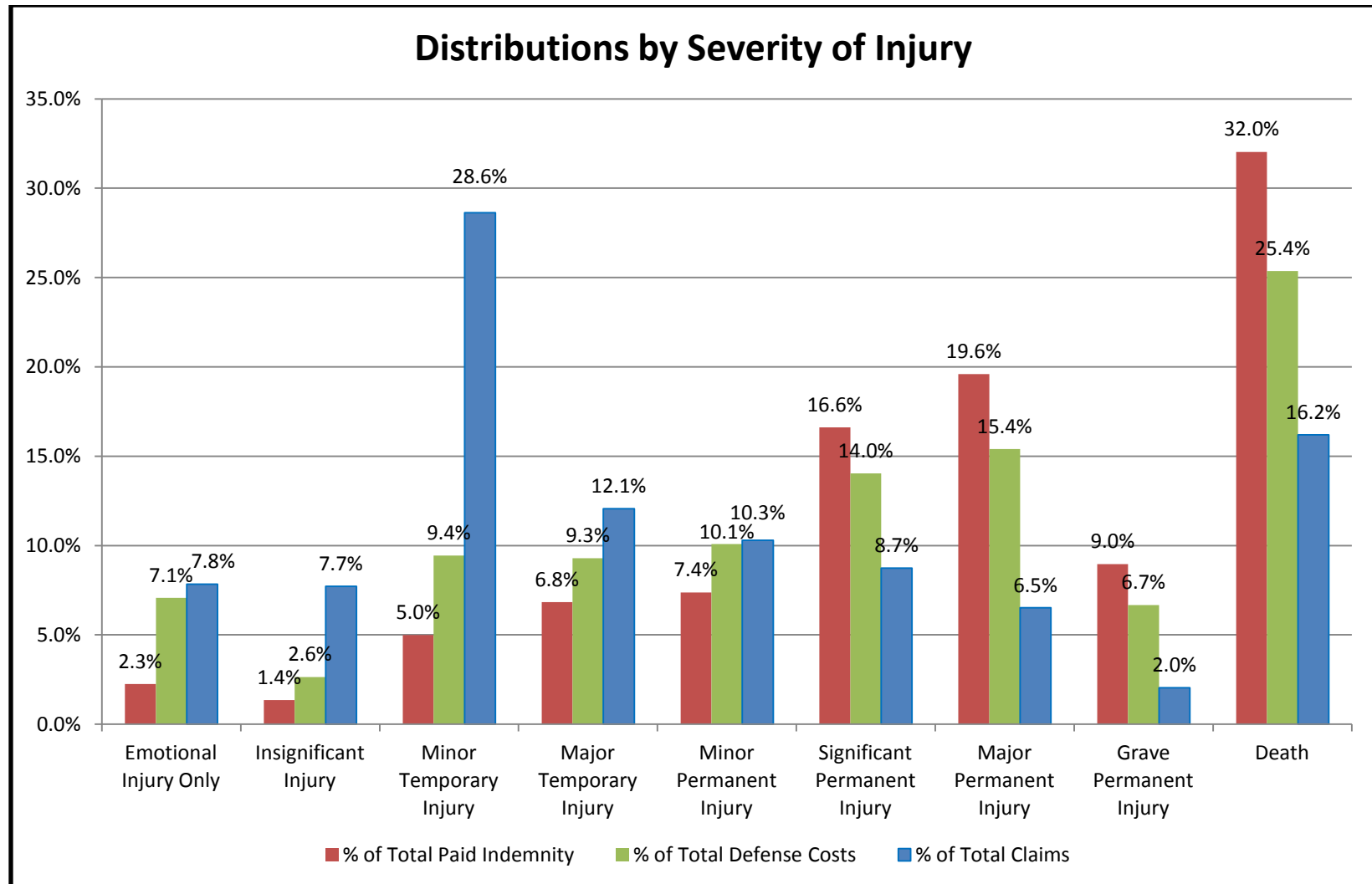
Five-year period ending December 31, 2012									
<u>Injury Outcome</u>	Number of Claims	Claims with Paid Indemnity	Paid Indemnity	Average Paid Indemnity	Median Paid Indemnity	Claims with Defense Costs	Defense Costs	Average Defense Costs	Median Defense Costs
Emotional Injury Only	396	172	\$11,855,494	\$68,927	\$20,000	322	\$13,247,151	\$41,140	\$6,816
Insignificant Injury	390	165	\$7,137,301	\$43,256	\$4,625	301	\$4,950,954	\$16,448	\$3,790
Minor Temporary Injury	1,446	816	\$26,242,795	\$32,160	\$12,201	1,020	\$17,675,940	\$17,329	\$2,438
Major Temporary Injury	609	306	\$35,935,741	\$117,437	\$45,000	520	\$17,395,906	\$33,454	\$7,352
Minor Permanent Injury	520	272	\$38,827,286	\$142,747	\$70,000	451	\$18,897,516	\$41,901	\$14,171
Significant Permanent Injury	441	198	\$87,437,444	\$441,603	\$229,261	430	\$26,280,538	\$61,118	\$23,739
Major Permanent Injury	329	149	\$103,153,668	\$692,306	\$329,371	326	\$28,856,070	\$88,516	\$26,729
Grave Permanent Injury	103	41	\$47,182,445	\$1,150,791	\$750,000	100	\$12,486,854	\$124,869	\$41,876
Death	818	357	\$168,634,515	\$472,366	\$250,000	800	\$47,507,556	\$59,384	\$22,844
Total	5,052	2,476	\$526,406,689	\$212,604	\$45,000	4,270	\$187,298,485	\$43,864	\$9,518

Grave permanent injuries had the highest average paid indemnity at \$1.2 million and median paid indemnity at \$750,000.<sup>53</sup> Major permanent injuries had the second highest average paid indemnity at \$692,306 and median paid indemnity at \$329,371. Death of the patient had the third highest average paid indemnity at \$472,366 and median paid indemnity at \$250,000.

<sup>52</sup> For a description of each type of injury outcome, see [WAC 284-24D-220](#).

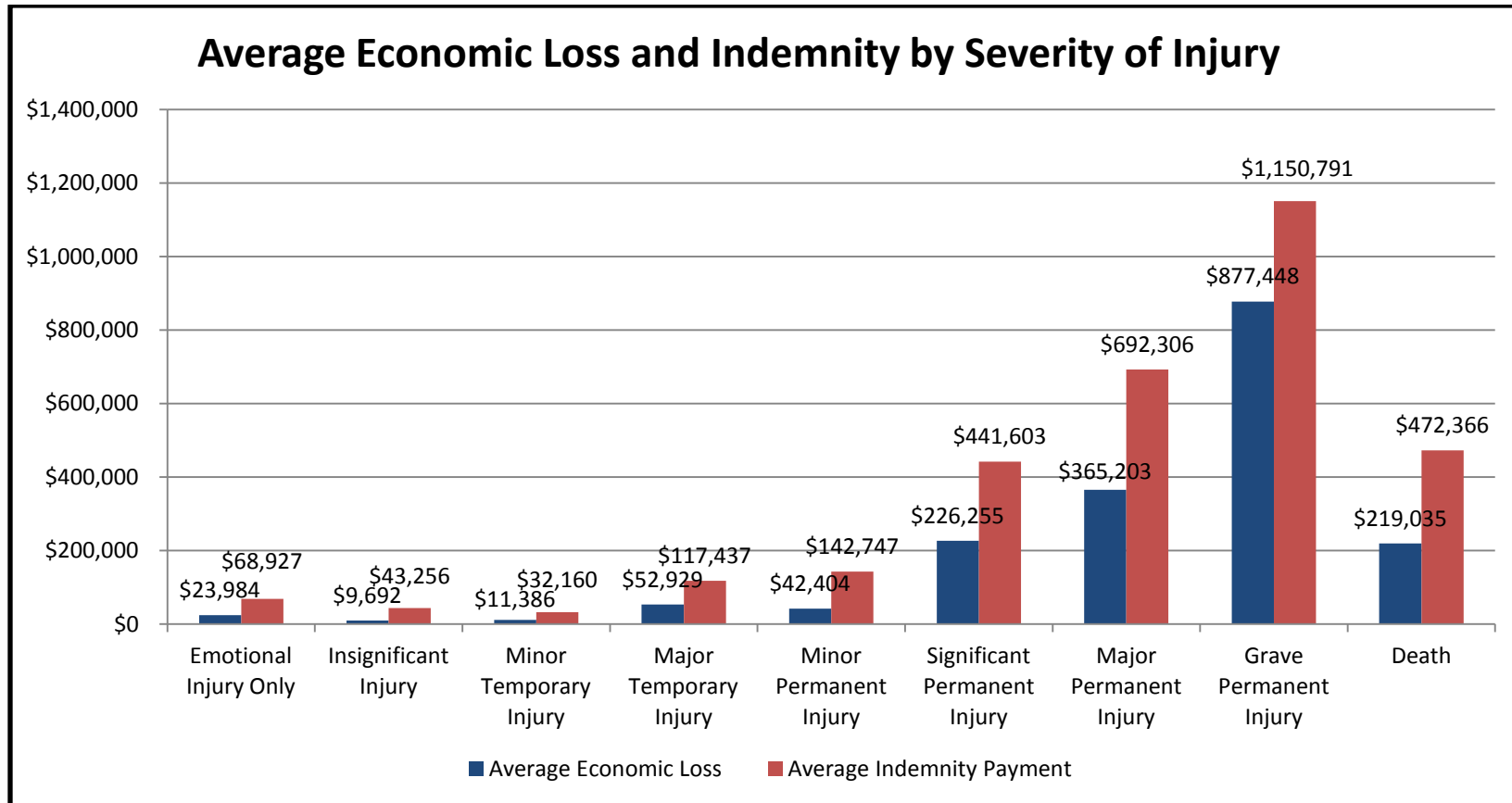
<sup>53</sup> Grave permanent injuries include quadriplegia and severe brain damage, requiring lifelong dependent care.

This chart shows distributions of claims, indemnity payments and defense costs by severity of injury.





If they made an indemnity payment, insurers and self-insurers reported the economic loss related to the injury.<sup>54</sup> The insurer or self-insurer either estimated the economic losses or reported the amount of economic loss awarded by a court. Claims involving death of the patient had lower average paid indemnity and average economic loss than claims for major permanent injury or grave permanent injury. If a person dies, compensation for economic loss is largely comprised of lost income and services that the deceased would have provided. This chart shows the relationship between injury outcome, average paid indemnity and average economic loss.



<sup>54</sup> Economic damages are defined in RCW [4.56.250](#), and the components of economic losses are described in [WAC 284-24D-360](#).

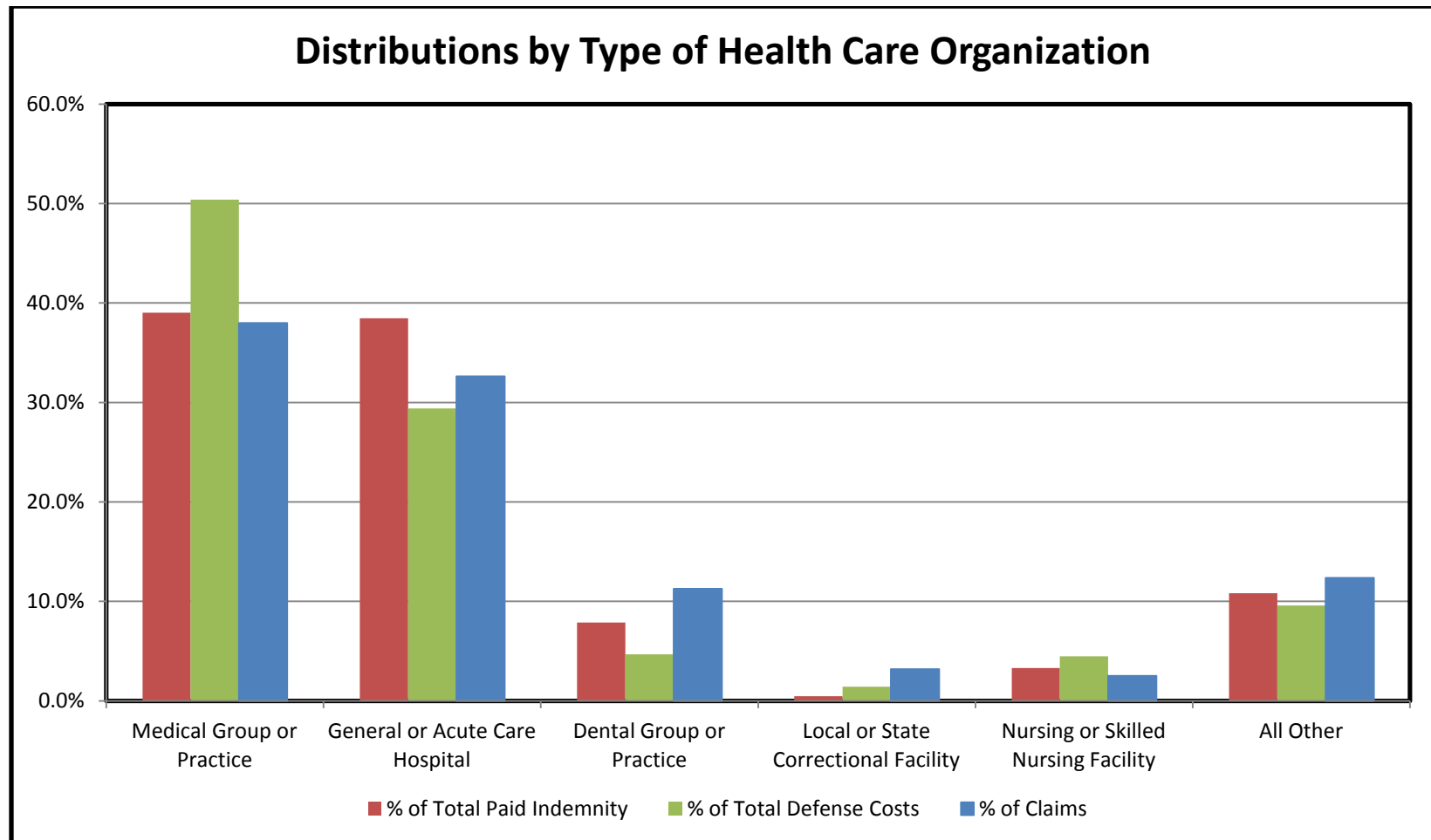
## Type of health care organization

This exhibit shows data for 14 types of health care organizations or provider groups.<sup>55</sup>

<u>Five-year period ending December 31, 2012</u>										
<u>Health Care Organization</u>	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	% of Total Paid Indemnity	Average Paid Indemnity	Median Paid Indemnity	Claims with Defense Costs	Total Defense Costs	% of Total Defense Costs	Average Defense Costs
Medical Group or Practice	1,919	805	\$205,438,212	39.0%	\$255,203	\$87,500	1,742	\$94,409,328	50.4%	\$54,196
General or Acute Care Hospital	1,648	815	\$202,559,039	38.5%	\$248,539	\$35,000	1,384	\$55,069,912	29.4%	\$39,790
Dental Group or Practice	570	409	\$41,543,322	7.9%	\$101,573	\$18,000	364	\$8,760,081	4.7%	\$24,066
Local or State Correctional Facility	162	35	\$2,506,773	0.5%	\$71,622	\$20,000	146	\$2,672,440	1.4%	\$18,304
Nursing or Skilled Nursing Facility	128	81	\$17,339,311	3.3%	\$214,066	\$147,433	123	\$8,420,621	4.5%	\$68,460
Ambulatory Clinic or Center	112	46	\$5,644,655	1.1%	\$122,710	\$20,825	92	\$1,482,186	0.8%	\$16,111
Physical/Occupational Therapy Group/Practice	60	51	\$1,547,331	0.3%	\$30,340	\$10,000	20	\$895,800	0.5%	\$44,790
Chiropractic Group or Practice	58	27	\$4,002,354	0.8%	\$148,235	\$31,000	57	\$1,668,306	0.9%	\$29,269
Podiatric Group or Practice	48	18	\$3,017,000	0.6%	\$167,611	\$90,000	48	\$1,696,729	0.9%	\$35,349
Pharmacy	32	30	\$2,255,689	0.4%	\$75,190	\$10,000	16	\$143,443	0.1%	\$8,965
Mental Health/Substance Abuse Group/Practice	32	11	\$1,972,500	0.4%	\$179,318	\$65,000	32	\$1,253,285	0.7%	\$39,165
Health Center/Community Health Center	26	11	\$1,318,438	0.3%	\$119,858	\$7,500	19	\$301,358	0.2%	\$15,861
Ambulatory Surgical Center	18	8	\$598,137	0.1%	\$74,767	\$20,825	15	\$830,235	0.4%	\$55,349
Radiology or Imaging Center	10	7	\$1,772,873	0.3%	\$253,268	\$80,000	9	\$194,839	0.1%	\$21,649
All Other Organizations	229	122	\$34,891,055	6.6%	\$285,992		203	\$9,499,922	5.1%	\$46,798
<b>Total</b>	<b>5,052</b>	<b>2,476</b>	<b>\$526,406,689</b>	<b>100.0%</b>	<b>\$212,604</b>	<b>\$45,000</b>	<b>4,270</b>	<b>\$187,298,485</b>	<b>100.0%</b>	<b>\$43,864</b>

<sup>55</sup> Under [RCW 48.140.060](#) and [RCW 42.56.400](#)(10), the commissioner must protect the identify of each insuring entity, self-insurer, claimant, health care provider, or health care facility involved in a particular claim or collection of claims. For this reason, types of organizations with few claims are grouped together.

Medical groups or practices had the largest number of total claims. Excluding data for all other organizations, medical groups or practices had the highest average paid indemnity at \$255,203. Medical groups or practices had the third highest median paid indemnity at \$87,500 and average defense cost at \$54,196. Nursing or skilled nursing facilities had the highest median paid indemnity at \$147,433 and average defense costs at \$68,460.



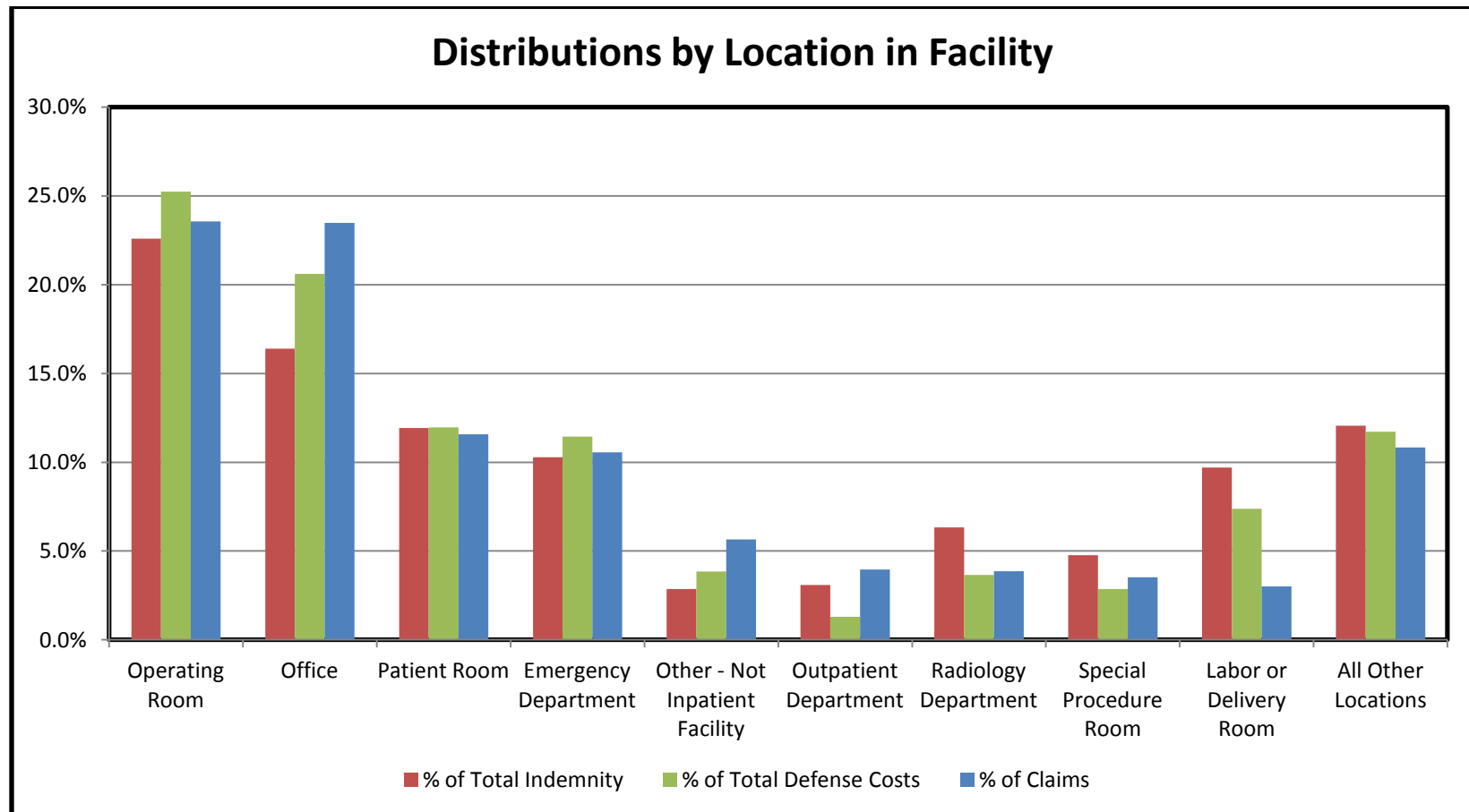
## Location in the facility

This table shows data by location within the medical facility, limited to locations with 20 or more claims.

Five-year period ending December 31, 2012											
<u>Location within Facility</u>	Total Number of Claims	% of Total Claims	Claims with Paid Indemnity	Total Paid Indemnity	% of Total Paid Indemnity	Average Paid Indemnity	Median Paid Indemnity	Claims with Defense Costs	Total Defense Costs	% of Total Defense Costs	Average Defense Costs
Operating Room	1,190	23.6%	517	\$118,936,765	22.6%	\$230,052	\$50,549	1,046	\$47,277,245	25.2%	\$45,198
Office	1,186	23.5%	624	\$86,301,784	16.4%	\$138,304	\$26,250	960	\$38,609,572	20.6%	\$40,218
Patient Room	585	11.6%	319	\$62,773,239	11.9%	\$196,781	\$57,500	502	\$22,397,159	12.0%	\$44,616
Emergency Department	533	10.6%	194	\$54,153,091	10.3%	\$279,140	\$50,000	481	\$21,432,901	11.4%	\$44,559
Other - Not Inpatient Facility	286	5.7%	91	\$15,066,854	2.9%	\$165,570	\$60,000	265	\$7,194,288	3.8%	\$27,148
Special Procedure Room	200	4.0%	148	\$16,225,507	3.1%	\$109,632	\$37,500	128	\$2,432,228	1.3%	\$19,002
Outpatient Department	195	3.9%	98	\$33,352,199	6.3%	\$340,329	\$47,500	162	\$6,831,940	3.6%	\$42,172
Radiology Department	178	3.5%	83	\$25,110,645	4.8%	\$302,538	\$50,000	157	\$5,355,991	2.9%	\$34,115
Labor or Delivery Room	152	3.0%	57	\$51,045,577	9.7%	\$895,536	\$400,000	148	\$13,823,494	7.4%	\$93,402
Physical Therapy Department	73	1.4%	62	\$2,640,402	0.5%	\$42,587	\$13,825	30	\$1,632,461	0.9%	\$54,415
Walk-in Clinic	64	1.3%	36	\$4,872,056	0.9%	\$135,335	\$75,000	54	\$1,832,271	1.0%	\$33,931
Critical Care Unit	45	0.9%	21	\$5,149,887	1.0%	\$245,233	\$72,000	41	\$2,559,310	1.4%	\$62,422
Laboratory	44	0.9%	24	\$7,647,561	1.5%	\$318,648	\$61,250	34	\$1,827,355	1.0%	\$53,746
Rehabilitation Center	41	0.8%	25	\$3,707,381	0.7%	\$148,295	\$82,500	38	\$2,788,941	1.5%	\$73,393
Pharmacy	35	0.7%	33	\$1,952,480	0.4%	\$59,166	\$7,500	16	\$167,485	0.1%	\$10,468
Catheterization Lab	31	0.6%	17	\$6,453,228	1.2%	\$379,602	\$150,000	29	\$861,979	0.5%	\$29,723
Recovery Room	27	0.5%	20	\$7,802,986	1.5%	\$390,149	\$206,761	24	\$1,771,744	0.9%	\$73,823
Clinical Support Center	24	0.5%	11	\$2,088,228	0.4%	\$189,839	\$200,000	23	\$897,816	0.5%	\$39,035
Facility Support Areas	21	0.4%	13	\$1,904,808	0.4%	\$146,524	\$65,000	19	\$2,485,545	1.3%	\$130,818
All other Locations	142	2.8%	83	\$19,222,011	3.7%	\$231,590		113	\$5,118,760	2.7%	\$45,299
Total	5,052	100.0%	2,476	\$526,406,689	100.0%	\$212,604	\$45,000	4,270	\$187,298,485	100.0%	\$43,864

The largest numbers of claims resulted from incidents occurring in operating rooms, followed by incidents that occurred in medical professionals' offices. These two locations represented 47 percent of reported claims. The highest average and median indemnity payments were due to injuries that occurred in the labor or delivery room. The highest average defense costs were reported for facility support areas, which includes locations such as hallways, cafeterias, elevators, and business offices.

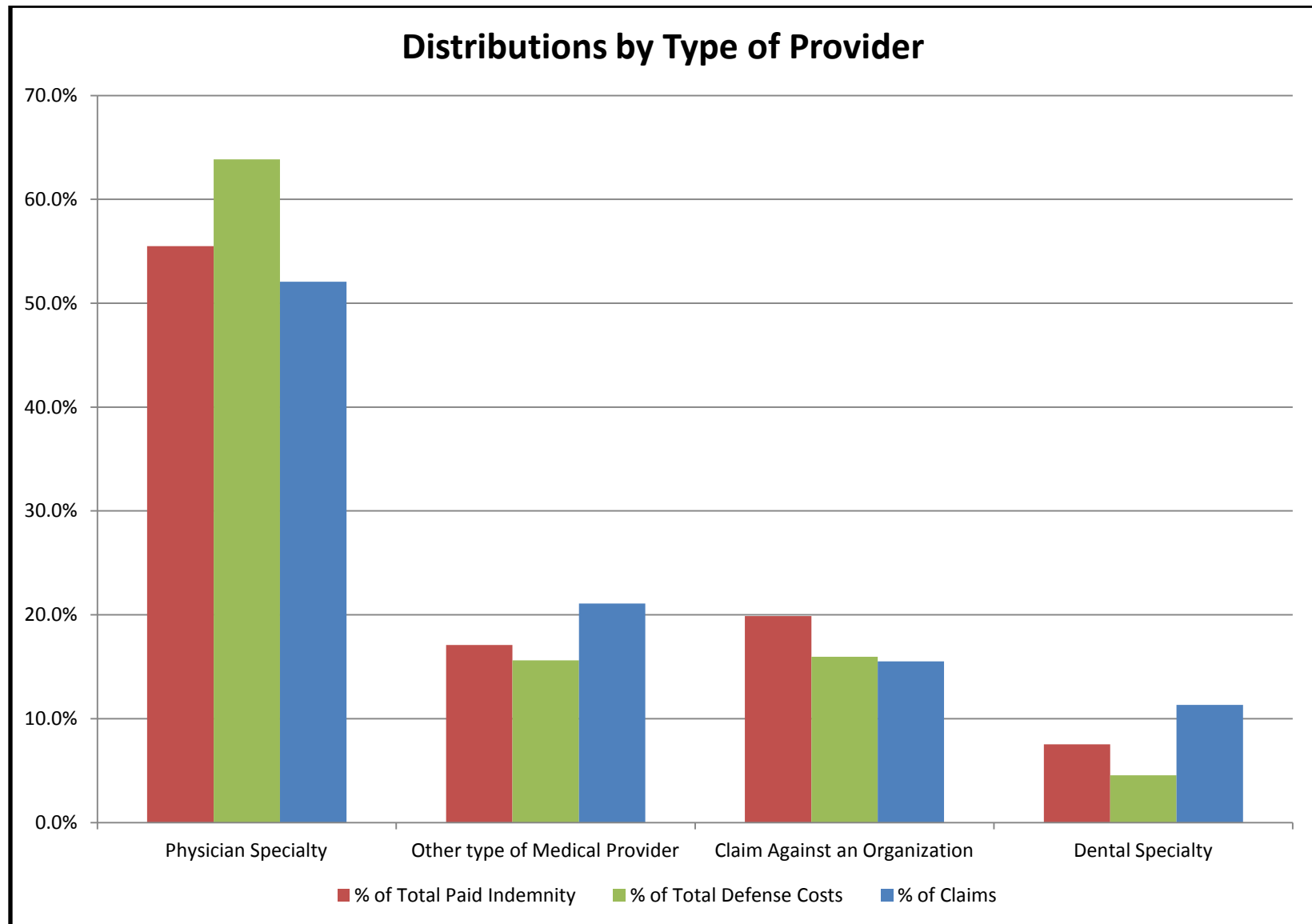
This chart shows the distribution of claims, indemnity payments and defense costs by location within the facility for the nine locations with the largest number of claims.



## Type of medical provider

<u>Provider Group</u>	<u>Five-year period ending December 31, 2012</u>										
	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	% of Total Paid Indemnity	Average Paid Indemnity	Median Paid Indemnity	Claims with Defense Costs	Total Defense Costs	% of Total Defense Costs	Average Defense Cost	Median Defense Cost
Physician Specialty	2,631	1,030	\$292,143,453	55.5%	\$283,634	\$91,800	2,431	\$119,620,051	63.9%	\$49,206	\$10,770
Other type of Medical Provider	1,065	676	\$90,003,986	17.1%	\$133,142	\$25,000	798	\$29,254,190	15.6%	\$36,659	\$8,773
Claim Against an Organization	784	356	\$104,608,251	19.9%	\$293,843	\$52,200	679	\$29,882,532	16.0%	\$44,010	\$12,775
Dental Specialty	572	414	\$39,650,999	7.5%	\$95,775	\$18,000	362	\$8,541,712	4.6%	\$23,596	\$2,111
Total	5,052	2,476	526,406,689	100.0%	\$212,604	\$45,000	4,270	187,298,485	100.0%	\$43,864	\$9,518

The highest percentage of claims, 52.1 percent, was made against physician specialties. These claims had the highest average defense cost at \$49,206, the highest median indemnity payment at \$91,800, and the second highest average paid indemnity at \$283,634. Paid indemnity results for dental specialties were distorted due to one large payment of \$14.35 million. If we remove that payment, average paid indemnity for dental specialties drops to \$61,261. Claims against organizations were the most expensive to settle, with average paid indemnity of \$293,843, yet this group had a lower median paid indemnity than physician specialties. This suggests that organizations paid more for very large claims.



This table shows claim data for physician specialties that had the largest number of claims.<sup>56</sup>

Five-year period ending December 31, 2012											
<b>Provider Specialty</b>	Number of Claims	Claims with Paid Indemnity	Paid Indemnity	% of Total Paid Indemnity	Average Paid Indemnity	Median Paid indemnity	Claims with Defense Costs	Defense Costs	% of Total Defense Costs	Average Defense Cost	Median Defense Cost
General Practice-Family Practice	315	119	\$25,989,404	8.9%	\$218,398	\$90,000	297	\$11,746,964	9.8%	\$39,552	\$7,616
General Surgery	280	138	\$26,780,428	9.2%	\$194,061	\$50,275	247	\$11,453,610	9.6%	\$46,371	\$12,310
Emergency Medicine	275	87	\$24,015,351	8.2%	\$276,039	\$62,500	259	\$11,241,277	9.4%	\$43,403	\$7,352
Orthopedic Surgery	244	88	\$18,981,892	6.5%	\$215,703	\$72,500	231	\$8,530,239	7.1%	\$36,927	\$5,254
Obstetrics and Gynecology	243	81	\$41,083,114	14.1%	\$507,199	\$175,000	232	\$13,817,732	11.6%	\$59,559	\$6,597
Internal Medicine	198	63	\$17,159,027	5.9%	\$272,366	\$100,000	186	\$8,774,831	7.3%	\$47,177	\$14,579
Radiology	174	65	\$22,294,208	7.6%	\$342,988	\$88,100	162	\$7,050,146	5.9%	\$43,519	\$9,379
Anesthesiology	130	74	\$13,666,937	4.7%	\$184,688	\$10,000	97	\$5,602,520	4.7%	\$57,758	\$17,529
Cardiovascular Diseases	79	25	\$8,253,924	2.8%	\$330,157	\$122,500	76	\$3,849,051	3.2%	\$50,645	\$21,288
Otolaryngology	68	27	\$8,021,711	2.7%	\$297,100	\$150,000	62	\$3,571,655	3.0%	\$57,607	\$5,727
Gastroenterology	66	24	\$7,850,372	2.7%	\$327,099	\$42,500	56	\$3,451,590	2.9%	\$61,636	\$10,048
Urological Surgery	65	24	\$11,783,442	4.0%	\$490,977	\$140,000	60	\$2,565,273	2.1%	\$42,755	\$7,404
Pediatrics	64	34	\$14,605,414	5.0%	\$429,571	\$183,334	60	\$6,938,461	5.8%	\$115,641	\$25,187
Neurological Surgery	60	27	\$9,001,575	3.1%	\$333,392	\$225,000	59	\$4,793,583	4.0%	\$81,247	\$26,643
Ophthalmology	51	23	\$7,857,237	2.7%	\$341,619	\$150,000	48	\$1,675,234	1.4%	\$34,901	\$12,812
Plastic Surgery	45	17	\$3,600,642	1.2%	\$211,802	\$55,000	43	\$1,619,201	1.4%	\$37,656	\$11,026
Hospitalist	38	10	\$3,099,504	1.1%	\$309,950	\$313,750	36	\$1,442,542	1.2%	\$40,071	\$8,492
Neurology	27	10	\$4,197,500	1.4%	\$419,750	\$125,000	26	\$1,371,010	1.1%	\$52,731	\$11,487
Radiation Oncology	27	12	\$1,619,341	0.6%	\$134,945	\$70,000	24	\$1,282,367	1.1%	\$53,432	\$31,781
Psychiatry	26	9	\$2,145,500	0.7%	\$238,389	\$200,000	26	\$1,514,758	1.3%	\$58,260	\$15,747
Diagnostic Radiology	23	7	\$2,365,000	0.8%	\$337,857	\$225,000	23	\$295,762	0.2%	\$12,859	\$5,891
Thoracic Surgery	22	7	\$1,850,000	0.6%	\$264,286	\$100,000	21	\$1,482,008	1.2%	\$70,572	\$29,060
General Preventive Medicine	19	12	\$1,445,333	0.5%	\$120,444	\$65,000	15	\$805,286	0.7%	\$53,686	\$30,702
All Other Physician Types	92	47	\$14,476,597	5.0%	\$308,013		85	\$4,744,951	4.0%	\$55,823	
Total	2,631	1,030	\$292,143,453	100.0%	\$283,634	\$91,800	2,431	\$119,620,051	100.0%	\$49,206	\$10,770

<sup>56</sup> Under [RCW 48.140.060](#) and [RCW 42.56.400](#)(10), some specialties are grouped together to maintain confidentiality.



The largest number of claims reported on behalf of physician specialties were for general and family practice physicians, but these claims were among the least costly to defend and settle. The most common allegations against general and family practice physicians were failure to diagnose with 55 claims, followed by delay in diagnosis with 41 claims, improper management with 21 claims and improper performance with 20 claims.

Obstetrics and gynecology was a specialty ranked high in total number of claims, average and median paid indemnity and average defense costs. The most common allegations against this physician specialty were improper performance with 55 claims, improper management with 22 claims, failure to diagnose with 21 claims, and improper technique with 19 claims.

This table shows claim data for other types of medical providers.<sup>57</sup> Nursing staff accounted for 623 claims, resulting in 417 indemnity payments averaging \$122,250. The most common allegations against nursing staff were failure to monitor with 66 claims, followed by improper technique with 35 claims and improper performance with 31 claims. Physical therapy had the second highest total number of claims at 75, and the most common allegation against this type of medical provider was sexual misconduct with 34 claims.

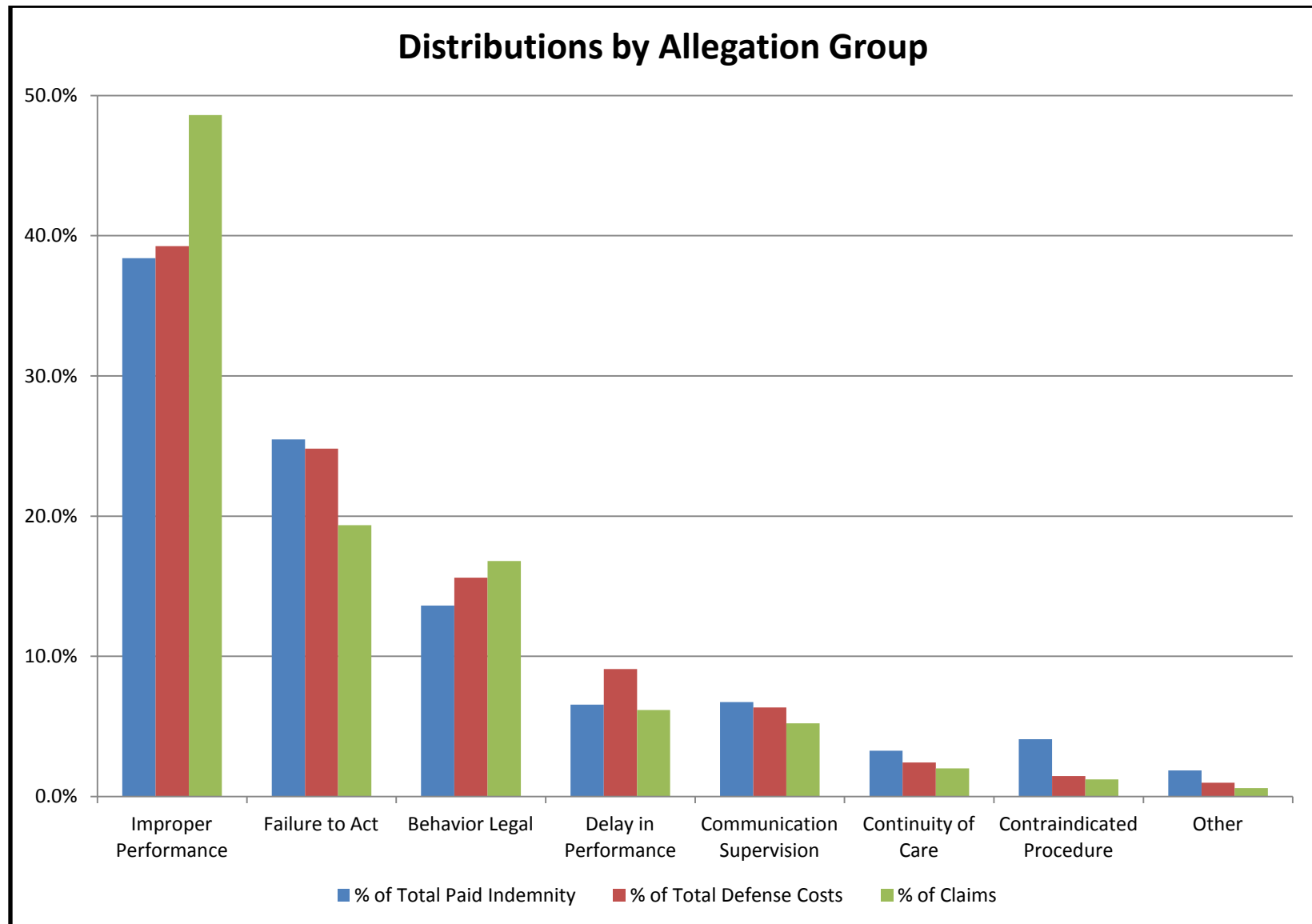
Five-Year Period Ending December 31, 2012										
<b>Provider Type</b>	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	% of Total Paid Indemnity	Average Paid Indemnity	Median Paid Indemnity	Claims with Defense Costs	Total Defense Costs	% of Total Defense Costs	Average Defense Cost
Nursing	623	417	\$50,978,417	56.6%	\$122,250	\$27,931	457	\$17,549,781	60.0%	\$38,402
Physical Therapy	75	59	\$1,306,127	1.5%	\$22,138	\$12,000	32	\$1,476,891	5.0%	\$46,153
Podiatry	69	23	\$3,398,148	3.8%	\$147,746	\$75,000	67	\$2,078,461	7.1%	\$31,022
Chiropractic	55	27	\$4,002,354	4.4%	\$148,235	\$31,000	54	\$1,620,467	5.5%	\$30,009
Physician Assistant	54	24	\$3,236,812	3.6%	\$134,867	\$62,500	50	\$1,510,790	5.2%	\$30,216
Pharmacy	47	44	\$2,703,682	3.0%	\$61,447	\$9,900	24	\$236,851	0.8%	\$9,869
Psychology	36	15	\$1,984,250	2.2%	\$132,283	\$27,000	33	\$1,077,789	3.7%	\$32,660
Radiology Technician	27	21	\$10,617,271	11.8%	\$505,584	\$45,569	20	\$565,177	1.9%	\$28,259
Emergency Medicine	17	6	\$351,901	0.4%	\$58,650	\$14,000	13	\$800,729	2.7%	\$61,595
All Other Types	62	40	11,425,024	12.7%	\$285,626		48	2,337,254	8.0%	\$48,693
<b>Total</b>	<b>1,065</b>	<b>676</b>	<b>\$90,003,986</b>	<b>100.0%</b>	<b>\$133,142</b>	<b>\$25,000</b>	<b>798</b>	<b>\$29,254,190</b>	<b>100.0%</b>	<b>\$36,659</b>

<sup>57</sup> Under [RCW 48.140.060](#) and [RCW 42.56.400](#)(10), some types of providers are grouped together to maintain confidentiality.

## Claim allegations

Insurers and self-insurers identified the primary complaint that led to the medical malpractice claim. This table shows the major classes of allegations.

<u>Allegation Group</u>	<u>Five-year period ending December 31, 2012</u>								
	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	% of Total Paid Indemnity	Average Paid Indemnity	Claims with Defense Costs	Total Defense Costs	% of Total Defense Costs	Average Defense Cost
Error/Improper Performance	2,456	1,355	\$202,114,631	38.4%	\$149,162	1,950	\$73,517,678	39.3%	\$37,701
Failure to Take Appropriate Action	978	390	\$134,105,786	25.5%	\$343,861	912	\$46,490,856	24.8%	\$50,977
Behavior/Legal	849	365	\$71,710,180	13.6%	\$196,466	710	\$29,223,822	15.6%	\$41,160
Delay in Performance	312	106	\$34,452,747	6.5%	\$325,026	303	\$17,039,274	9.1%	\$56,235
Communication/Supervision	264	169	\$35,490,774	6.7%	\$210,005	220	\$11,882,136	6.3%	\$54,010
Continuity of Care/Care Management	101	55	\$17,166,481	3.3%	\$312,118	91	\$4,556,911	2.4%	\$50,076
Unnecessary/Contraindicated Procedure	62	29	\$21,549,090	4.1%	\$743,072	54	\$2,729,765	1.5%	\$50,551
Other Class of Allegation	30	7	\$9,817,000	1.9%	\$1,402,429	30	\$1,858,043	1.0%	\$61,935
Totals & Averages	5,052	2,476	\$526,406,689	100.0%	\$212,604	4,270	\$187,298,485	100.0%	\$43,864



This table shows the most common specific allegations for each major class of allegation.

Five-year period ending December 31, 2012							
	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Cost
<b><u>Error/Improper Performance</u></b>							
Improper Performance	988	541	\$71,253,783	\$131,708	766	\$26,611,432	\$34,741
Improper Technique	338	164	\$14,711,022	\$89,701	281	\$6,867,719	\$24,440
Improper Management	204	80	\$20,525,999	\$256,575	191	\$12,404,731	\$64,946
Surgical or other Foreign Body Retained	102	58	\$4,720,964	\$81,396	85	\$2,449,732	\$28,820
Wrong Diagnosis or Misdiagnosis (Original Diagnosis is Incorrect)	79	33	\$12,060,331	\$365,465	71	\$4,022,170	\$56,650
Intubation Problem	64	49	\$3,064,001	\$62,531	26	\$1,538,256	\$59,164
Wrong Dosage Ordered of Correct Medication	55	46	\$8,717,000	\$189,500	23	\$808,899	\$35,170
Patient Monitoring Problem	54	34	\$6,943,797	\$204,229	47	\$2,021,651	\$43,014
Equipment Utilization Problem	52	41	\$7,753,069	\$189,099	40	\$1,534,322	\$38,358
Wrong Dosage Administered	50	34	\$7,584,157	\$223,063	39	\$1,929,777	\$49,481
Wrong Medication Administered	48	28	\$5,169,853	\$184,638	41	\$862,569	\$21,038
Wrong Procedure or Treatment	48	22	\$5,600,417	\$254,564	44	\$1,449,015	\$32,932
Problem with Appliance, Prostheses, Orthotic, Restorative, Splint or Device	44	20	\$1,540,313	\$77,016	42	\$983,768	\$23,423
Wrong Body Part	44	35	\$2,120,550	\$60,587	33	\$780,498	\$23,651
Patient Positioning Problem	39	21	\$1,570,336	\$74,778	31	\$855,188	\$27,587
Wrong Dosage Dispensed	31	25	\$2,314,478	\$92,579	20	\$317,857	\$15,893
Wrong Medication Dispensed	29	24	\$3,711,922	\$154,663	20	\$836,896	\$41,845
Wrong Medication Ordered	26	12	\$3,679,440	\$306,620	23	\$994,001	\$43,217
Radiology or Imaging Error	21	13	\$4,818,688	\$370,668	20	\$908,182	\$45,409
Administration of Blood or Fluids Problem	20	10	\$1,423,179	\$142,318	15	\$792,176	\$52,812
<b><u>Communication/Supervision</u></b>							
Failure to Instruct or Communicate with Patient or Family	85	48	\$12,332,425	\$256,926	68	\$3,534,687	\$51,981
Failure to Supervise	62	40	\$7,618,548	\$190,464	52	\$3,775,226	\$72,601
Improper Supervision	41	28	\$4,393,243	\$156,902	36	\$1,849,210	\$51,367
Communication Problem between Practitioners	37	25	\$3,186,259	\$127,450	32	\$1,223,099	\$38,222
Failure to Report on Patient Condition	26	19	\$7,137,959	\$375,682	22	\$1,303,377	\$59,244

**Five-year period ending December 31, 2012**

	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Cost
<b><u>Failure to Take Appropriate Action</u></b>							
Failure to Diagnose	460	160	\$69,010,350	\$431,315	445	\$24,025,036	\$53,989
Failure to Monitor	172	111	\$20,547,841	\$185,116	136	\$6,536,260	\$48,061
Failure to Treat	111	31	\$10,950,416	\$353,239	107	\$5,066,180	\$47,347
Failure to Recognize a Complication	59	25	\$13,332,620	\$533,305	59	\$3,739,774	\$63,386
Failure to Perform Procedure	46	13	\$1,051,889	\$80,915	46	\$1,215,431	\$26,422
Failure to Medicate	32	12	\$5,788,571	\$482,381	29	\$1,555,851	\$53,650
Failure to Order Appropriate Test	32	13	\$6,693,085	\$514,853	31	\$1,856,984	\$59,903
Failure to Use Aseptic Technique	23	10	\$456,493	\$45,649	18	\$62,100	\$3,450
Failure to Order Appropriate Medication	20	5	\$382,646	\$76,529	18	\$310,251	\$17,236
<b><u>Delay in Performance</u></b>							
Delay in Diagnosis	191	61	\$17,162,856	\$281,358	184	\$9,242,660	\$50,232
Delay in Treatment	88	34	\$11,144,891	\$327,791	86	\$3,917,663	\$45,554
Delay in Performance	21	8	\$4,875,000	\$609,375	21	\$2,515,649	\$119,793
<b><u>Behavior/Legal</u></b>							
Vicarious Liability	477	159	\$30,575,015	\$192,296	412	\$14,025,801	\$34,043
Failure to Ensure Patient Safety	88	65	\$22,616,319	\$347,943	69	\$3,745,550	\$54,283
Sexual Misconduct	69	51	\$2,993,000	\$58,686	38	\$2,733,869	\$71,944
Improper Conduct	58	22	\$3,830,581	\$174,117	56	\$3,358,004	\$59,964
Failure to Obtain Consent or Lack of Informed Consent	37	11	\$439,513	\$39,956	34	\$1,170,785	\$34,435
Breach of Patient Confidentiality	26	13	\$259,600	\$19,969	21	\$455,647	\$21,697
<b><u>Continuity of Care/Care Management</u></b>							
Failure or Delay in Referral or Consultation	55	33	\$13,602,422	\$412,195	52	\$3,331,261	\$64,063
Premature Discharge from Institution	31	12	\$1,821,775	\$151,815	27	\$817,468	\$30,277
<b><u>Unnecessary/Contraindicated Procedure</u></b>							
Unnecessary Procedure	32	12	\$17,868,792	\$1,489,066	31	\$2,167,659	\$69,924

This table shows the most common allegations made against physician specialties.

<u><b>Allegation Made Against Physician Specialty</b></u>	<u><b>Five-year period ending December 31, 2012</b></u>						
	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Cost
Improper Performance	485	189	\$46,188,614	\$244,384	448	\$19,426,066	\$43,362
Failure to Diagnose	403	140	\$63,052,180	\$450,373	388	\$20,915,243	\$53,905
Improper Technique	189	70	\$9,520,546	\$136,008	164	\$4,866,559	\$29,674
Delay in Diagnosis	165	46	\$14,288,361	\$310,617	158	\$8,288,253	\$52,457
Improper Management	156	49	\$14,857,845	\$303,221	154	\$11,467,491	\$74,464
Failure to Treat	75	17	\$7,300,166	\$429,422	73	\$3,343,617	\$45,803
Surgical or other Foreign Body Retained	70	34	\$2,756,614	\$81,077	61	\$1,785,384	\$29,269
Wrong Diagnosis or Misdiagnosis (Original Diagnosis is Incorrect)	63	26	\$9,961,331	\$383,128	56	\$3,634,121	\$64,895
Delay in Treatment	58	22	\$8,325,641	\$378,438	57	\$1,533,782	\$26,908
Failure to Monitor	54	26	\$10,225,779	\$393,299	50	\$2,197,583	\$43,952
Failure to Instruct or Communicate with Patient or Family	47	23	\$7,653,740	\$332,771	40	\$2,443,600	\$61,090
Intubation Problem	47	35	\$2,439,613	\$69,703	22	\$1,484,175	\$67,463
Failure to Recognize a Complication	44	19	\$10,109,375	\$532,072	44	\$3,335,644	\$75,810
Failure to Perform Procedure	40	10	\$1,002,389	\$100,239	40	\$1,097,995	\$27,450
Equipment Utilization Problem	35	26	\$3,060,702	\$117,719	31	\$1,001,588	\$32,309
Failure or Delay in Referral or Consultation	33	17	\$5,942,804	\$349,577	31	\$2,444,468	\$78,854
Wrong Body Part	33	26	\$1,654,730	\$63,643	26	\$678,003	\$26,077
Vicarious Liability	30	4	\$763,333	\$190,833	29	\$657,658	\$22,678

This table shows the most common allegations made against dental specialties.

<u><b>Allegation Made Against Dental Provider</b></u>	<u><b>Five-year period ending December 31, 2012</b></u>						
	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Cost
Improper Performance	358	285	\$12,195,968	\$42,793	189	\$3,836,834	\$20,301
Improper Technique	67	44	\$2,740,706	\$62,289	50	\$689,301	\$13,786
Improper Management	20	13	\$579,443	\$44,573	15	\$591,972	\$39,465

This table shows the most common allegations made against other types of medical providers.

<u><b>Allegation Made Against Other Type of Medical Provider</b></u>	<u><b>Five-year period ending December 31, 2012</b></u>						
	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Cost
Improper Performance	139	65	\$12,823,036	\$197,277	123	\$3,241,037	\$26,350
Failure to Monitor	103	77	\$10,084,103	\$130,962	75	\$3,862,861	\$51,505
Improper Technique	82	50	\$2,449,770	\$48,995	67	\$1,311,859	\$19,580
Sexual Misconduct	56	44	\$1,180,500	\$26,830	26	\$1,374,268	\$52,856
Failure to Diagnose	38	12	\$2,874,995	\$239,583	38	\$2,464,621	\$64,858
Wrong Dosage Ordered of Correct Medication	32	30	\$2,340,000	\$78,000	3	\$41,694	\$13,898
Patient Monitoring Problem	31	20	\$1,973,907	\$98,695	25	\$584,373	\$23,375
Wrong Dosage Administered	27	19	\$5,263,951	\$277,050	18	\$499,509	\$27,751
Improper Management	24	15	\$1,984,856	\$132,324	20	\$337,405	\$16,870
Wrong Dosage Dispensed	24	22	\$2,277,577	\$103,526	14	\$114,184	\$8,156
Failure to Treat	22	9	\$2,618,000	\$290,889	21	\$1,555,844	\$74,088
Wrong Medication Administered	22	14	\$2,469,218	\$176,373	18	\$242,171	\$13,454
Failure to Ensure Patient Safety	21	17	\$1,446,077	\$85,063	15	\$361,361	\$24,091
Wrong Medication Dispensed	21	20	\$1,760,922	\$88,046	13	\$373,173	\$28,706
Patient Positioning Problem	21	11	\$739,614	\$67,238	17	\$392,955	\$23,115
Surgical or other Foreign Body Retained	20	16	\$1,739,421	\$108,714	14	\$563,193	\$40,228



This table shows the most common allegations made against an organization.

<u><b>Allegation Made Against an Organization</b></u>	<u><b>Five-year period ending December 31, 2012</b></u>						
	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Cost
Vicarious Liability	432	142	\$29,399,866	\$207,041	380	\$13,298,753	\$34,997
Failure to Ensure Patient Safety	59	46	\$20,956,940	\$455,586	47	\$3,170,986	\$67,468
Failure to Supervise	43	26	\$5,850,028	\$225,001	38	\$3,140,535	\$82,646
Improper Conduct	28	10	\$1,492,500	\$149,250	27	\$586,226	\$21,712
Improper Supervision	20	15	\$3,551,039	\$236,736	17	\$1,165,350	\$68,550

The most common claim against an organization is vicarious liability. Vicarious liability is secondary liability in which the organization becomes responsible for the acts of an employee or other third party when it had had the right, ability or duty to control those activities.

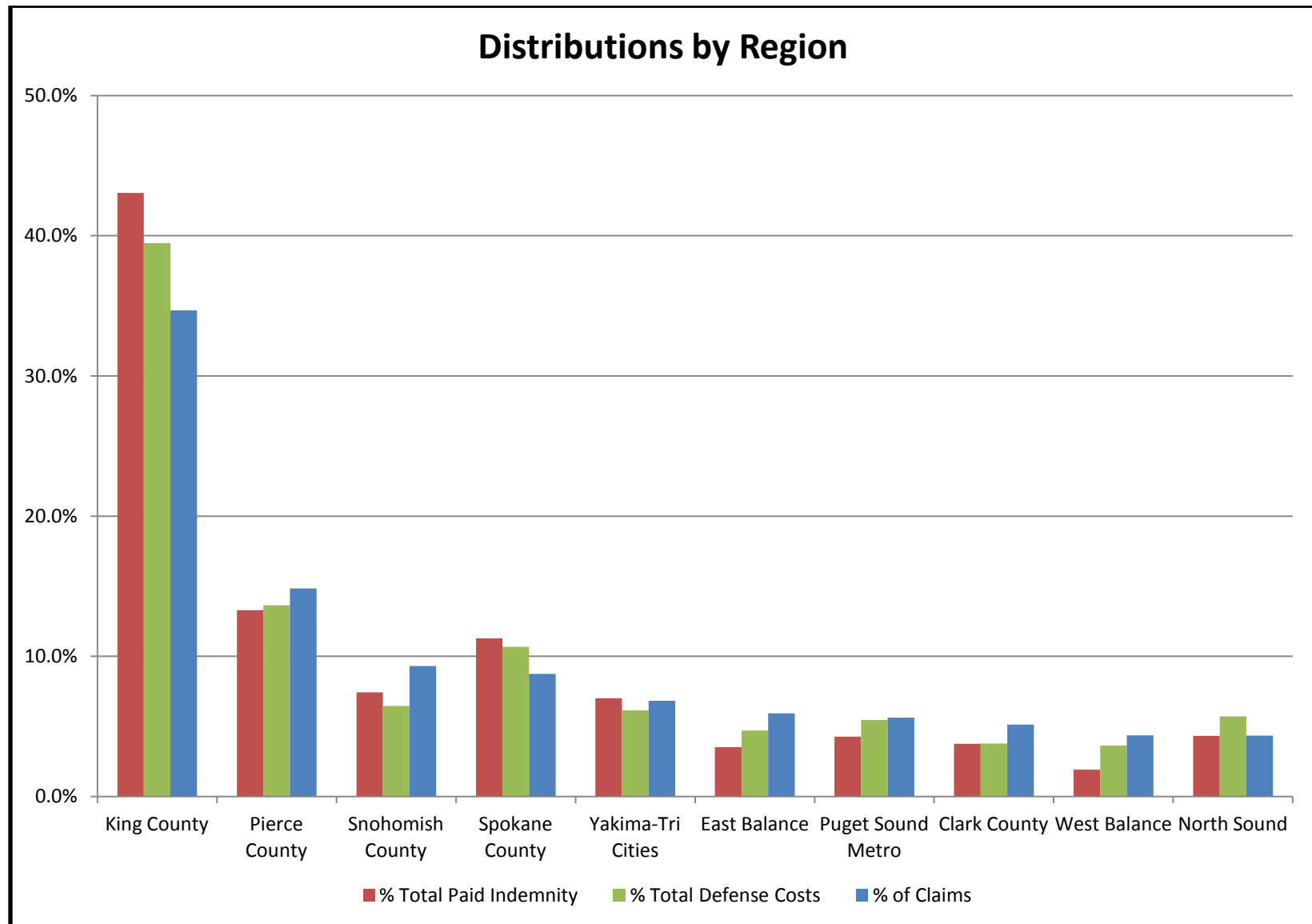
## County statistics

Insurers and self-insurers reported the county where the medical incident occurred.<sup>58</sup> To provide information about differences by location, we divided the state into nine regions.<sup>59</sup> King County had the highest total paid indemnity, while average indemnity payments were highest in Spokane County. The North Sound region had the highest average defense costs.

Five-year period ending December 31, 2012										
Region	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Median Paid Indemnity	Average Paid Indemnity	Average Economic Loss	Claims with Defense Costs	Total Defense Costs	Average Defense Costs	Median Defense Costs
King County	1,752	932	\$226,598,741	\$35,000	\$243,132	\$132,504	1,400	\$73,941,120	\$52,815	\$8,113
Pierce County	750	304	\$69,952,683	\$60,000	\$230,108	\$94,124	684	\$25,528,469	\$37,322	\$8,986
Snohomish County	470	258	\$39,137,930	\$14,451	\$151,697	\$62,293	372	\$12,106,174	\$32,543	\$8,621
Spokane County	442	194	\$59,393,182	\$61,176	\$306,150	\$144,534	412	\$20,006,838	\$48,560	\$9,456
Yakima-Tri Cities	345	183	\$36,850,140	\$50,000	\$201,367	\$118,514	277	\$11,519,729	\$41,587	\$16,926
East Balance	300	139	\$18,534,781	\$50,000	\$133,344	\$63,725	265	\$8,823,721	\$33,297	\$9,063
Puget Sound Metro	284	135	\$22,522,760	\$90,101	\$166,835	\$43,178	255	\$10,216,418	\$40,064	\$10,426
Clark County	259	139	\$19,759,559	\$50,549	\$142,155	\$44,225	199	\$7,058,725	\$35,471	\$10,138
West Balance	220	88	\$10,032,893	\$26,355	\$114,010	\$47,860	199	\$6,809,850	\$34,220	\$9,378
North Sound	219	99	\$22,739,020	\$60,000	\$229,687	\$129,200	196	\$10,711,181	\$54,649	\$10,413
Out of State	11	5	\$885,000		\$177,000	\$77,400	11	\$576,260	\$52,387	
Total	5,052	2,476	\$526,406,689	\$45,000	\$212,604	\$103,445	4,270	\$187,298,485	\$43,864	\$9,518

<sup>58</sup> Under [RCW 48.140.060](#) and [RCW 42.56.400](#)(10), some counties are grouped together to maintain confidentiality.

<sup>59</sup> **Yakima-Tri Cities** includes Benton, Franklin and Yakima counties. **East balance** includes Adams, Asotin, Chelan, Columbia, Douglas, Ferry, Garfield, Grant, Kittitas, Lincoln, Okanogan, Pend Oreille, Stevens, Walla Walla and Whitman counties. **Puget Sound Metro** includes Kitsap and Thurston counties. **West Balance** includes Clallam, Cowlitz, Grays Harbor, Jefferson, Klickitat, Lewis, Mason, Pacific, Skamania and Wahkiakum counties. **North Sound** includes Island, San Juan, Skagit and Whatcom counties.

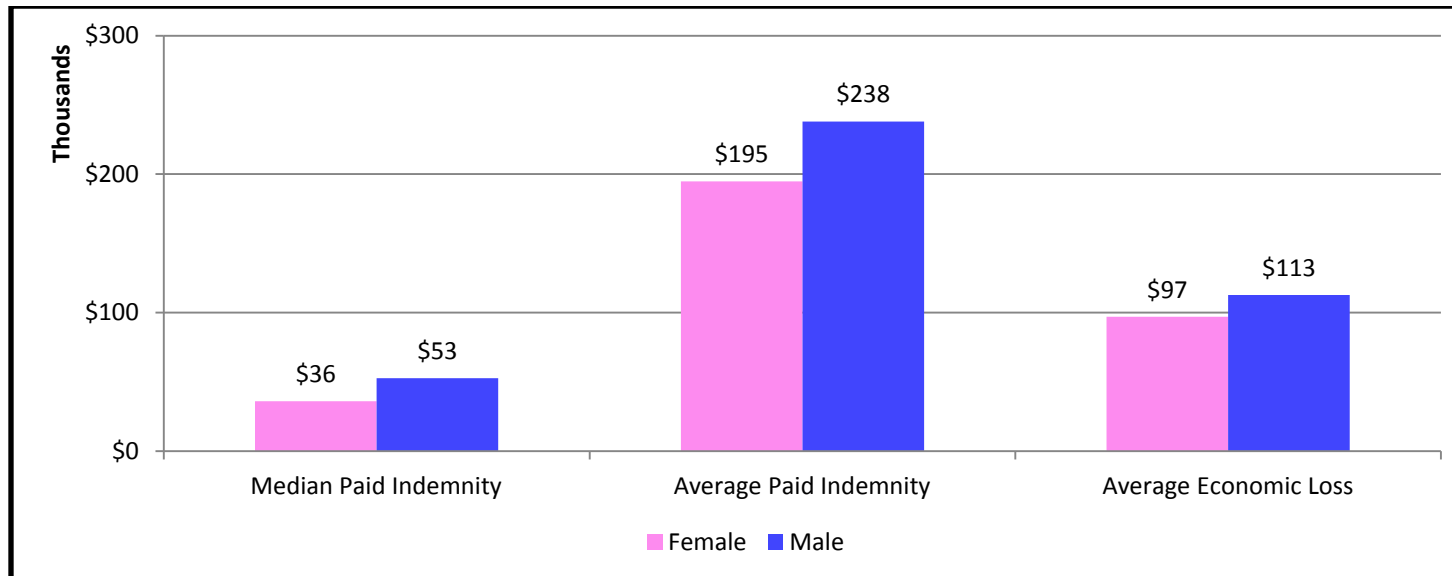


## Gender statistics

Of the 5,052 claims closed, 55.7 percent of the claims reported the injured party as female and 43.9 percent of the claims reported the injured party as male.

Five-year period ending December 31, 2012									
Gender	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Median Paid Indemnity	Average Paid Indemnity	Average Economic Loss	Claims with Defense Costs	Total Defense Costs	Average Defense Cost
Female	2,813	1,449	\$282,253,235	\$36,000	\$194,792	96,937	2,348	\$101,859,880	\$43,382
Male	2,220	1,015	\$241,529,220	\$52,500	\$237,960	112,727	1,905	\$84,634,341	\$44,427
Unknown	19	12	\$2,624,234		\$218,686	104,248	17	\$804,264	\$47,310
Totals	5,052	2,476	\$526,406,689	\$45,000	\$212,604	103,445	4,270	\$187,298,485	\$43,864

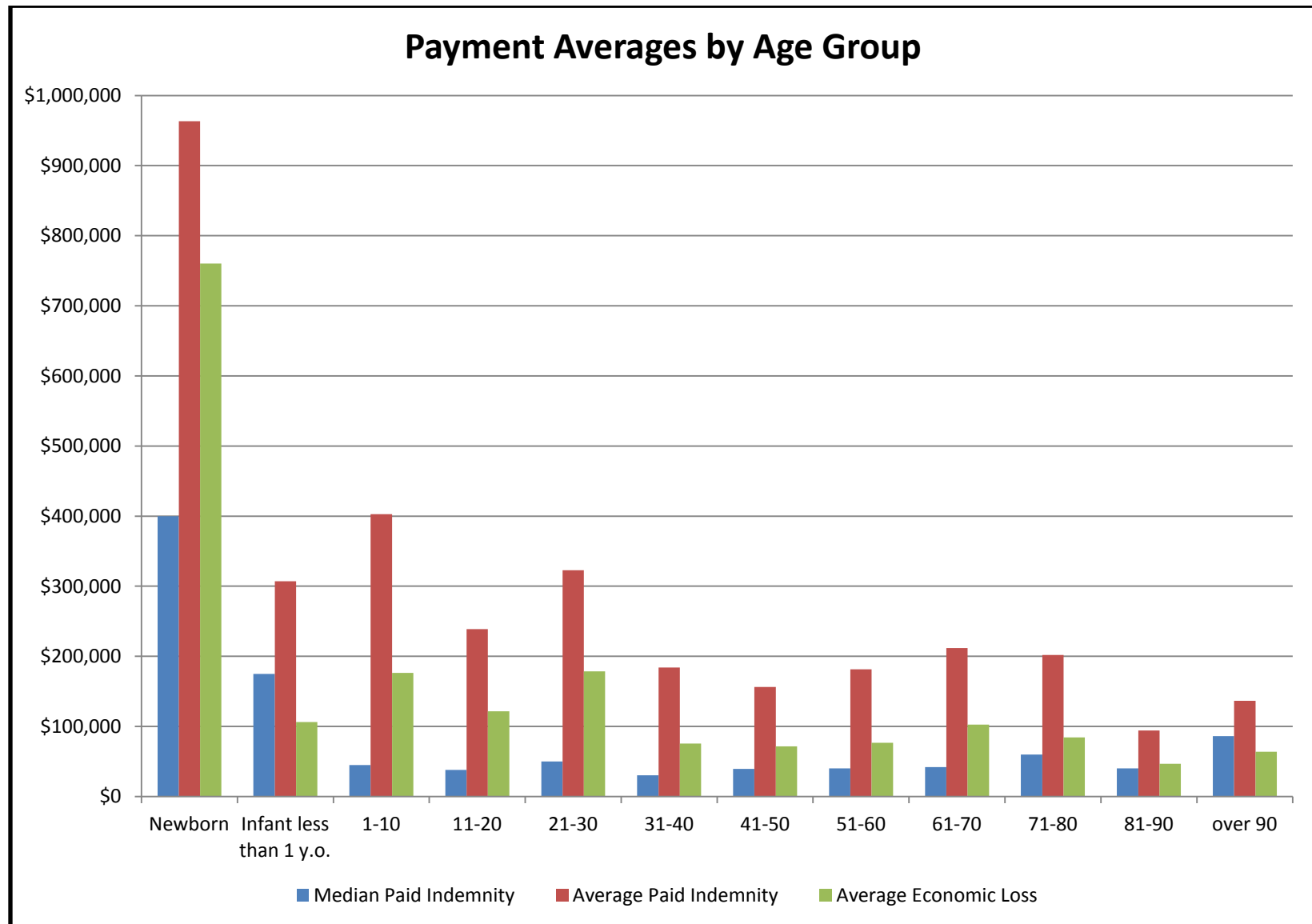
Average payments and defense costs were higher when the injured party was male. The chart below illustrates this comparison.



## Age statistics

Insurers and self-insurers reported the age group of the claimant.

<u>Age Group</u>	<u>Five-year period ending December 31, 2012</u>									
	Total Number of Claims	Claims with Paid Indemnity	Total Paid Indemnity	Total Economic Loss	Average Paid Indemnity	Average Economic Loss	Median Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Cost
Newborn	121	47	\$45,285,096	\$35,742,290	\$963,513	\$760,474	\$400,000	115	\$13,903,584	\$120,901
Infant less than 1 year	67	27	\$8,294,383	\$2,868,525	\$307,199	\$106,242	\$175,000	56	\$2,225,299	\$39,737
1-10	116	55	\$22,153,700	\$9,700,191	\$402,795	\$176,367	\$45,000	104	\$5,463,088	\$52,530
11-20	165	85	\$20,289,211	\$10,328,087	\$238,697	\$121,507	\$38,000	148	\$9,739,582	\$65,808
21-30	439	206	\$66,514,249	\$36,772,910	\$322,885	\$178,509	\$50,000	396	\$17,864,746	\$45,113
31-40	774	355	\$65,368,578	\$26,826,678	\$184,137	\$75,568	\$30,093	646	\$28,276,637	\$43,772
41-50	1,107	514	\$80,229,927	\$36,692,696	\$156,089	\$71,387	\$39,500	937	\$36,801,459	\$39,276
51-60	1,062	534	\$96,961,939	\$40,932,047	\$181,577	\$76,652	\$40,000	877	\$33,367,007	\$38,047
61-70	626	332	\$70,362,438	\$34,032,398	\$211,935	\$102,507	\$41,875	506	\$19,889,912	\$39,308
71-80	360	183	\$36,970,863	\$15,397,431	\$202,027	\$84,139	\$60,000	311	\$13,952,671	\$44,864
81-90	183	115	\$10,838,870	\$5,365,410	\$94,251	\$46,656	\$40,000	148	\$4,909,799	\$33,174
over 90	32	23	\$3,137,435	\$1,471,417	\$136,410	\$63,975	\$86,000	26	\$904,701	\$34,796
Total	5,052	2,476	\$526,406,689	\$256,130,080	\$212,604	\$103,445	\$45,000	4,270	\$187,298,485	\$43,864



## Trends

This chart shows estimates of trends in frequency and severity.<sup>60 61</sup> Overall, average costs per claim declined while the number of reported claims increased.

<u>Year Closed</u>	Average Paid Indemnity	Average Limited Indemnity	Average Defense Costs	Average of Limited Indemnity + Defense Costs	Number of Claims Closed
2008	235,406	186,245	49,484	139,978	883
2009	248,453	182,466	43,230	124,450	860
2010	212,916	167,450	37,192	114,651	926
2011	213,668	173,136	40,219	112,597	1,211
2012	170,084	144,039	49,747	112,920	1,172
Trend	-7.7%	-5.5%	-0.6%	-5.2%	9.5%

Average limited indemnity amounts were calculated by restricting individual claims to a maximum of \$1,000,000, which is a way to reduce volatility in the trend estimate. These trends should not be considered reliable estimates of changes in medical malpractice insurance costs over time for several reasons. For example, since medical malpractice claims can take several years to close, the averages shown for each year closed include data from incidents that occurred over many years. Thus trends estimated using closed-year data can be distorted by changes in claims settlement rates. The trend in the number of claims closed is a poor estimate of frequency trend. A frequency is calculated as the number of claims per exposure (e.g., per policy or per physician). Since insurers do not report policy counts, physician counts, or other exposure data, we cannot calculate a true frequency trend.

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<sup>60</sup> An analysis of trends in frequency and severity is required by [RCW 48.140.050\(1\)\(a\)\(i\)](#).

<sup>61</sup> Trends shown are annual trends based on exponential least squares regression.

## Statistics from medical malpractice lawsuits

	<u>Year Settled</u>					Five-year Total
	2008	2009	2010	2011	2012	
Settlements reported by Attorneys	158	131	90	86	49	514
Number of Settlements with Paid Indemnity	134	120	85	83	48	470
Total Paid Indemnity	\$81,985,707	\$77,952,416	\$85,073,584	\$44,792,345	\$22,054,058	\$311,858,110
Average Payment to Claimant	\$611,834	\$649,603	\$1,000,866	\$539,667	\$459,460	\$663,528
Median Payment to Claimant	\$250,000	\$287,500	\$270,000	\$225,000	\$197,500	\$250,000
Total Legal Expenses	\$33,013,414	\$33,588,058	\$34,598,555	\$18,367,556	\$9,532,797	\$129,100,380
Total Attorney Fees	\$28,190,420	\$29,085,025	\$31,188,630	\$15,446,463	\$8,128,198	\$112,038,736
Average Legal Expense	\$208,946	\$256,397	\$384,428	\$213,576	\$194,547	\$251,168
Average Fee paid to Attorney	\$210,376	\$242,375	\$366,925	\$186,102	\$169,337	\$238,380

**Indemnity payments to claimants:** Over the five-year period ending December 31, 2012, claimants received total compensation of \$311.9 million on 514 settlements, or \$663,528 per settlement. Median paid indemnity was \$250,000 over the same period.

Claimants paid \$129.1 million for legal expenses, averaging \$251,168 per lawsuit. Claimants paid \$112 million in attorney fees, or an average of \$238,380 per settlement.<sup>62</sup> On average, the attorney fee was 35.9 percent of the total compensation paid to the claimant.

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<sup>62</sup> Attorneys in this area of litigation typically work on a contingency basis, and receive fees if one or more defendants compensate the claimant.



## Compliance by attorneys

This table, created with data from the [Administrative Office of the Courts](#), provides an estimate of the level of compliance with the law. It shows that compliance has steadily deteriorated over the last five years.

	<u>Year Settled</u>				
	2008	2009	2010	2011	2012
Lawsuits Resolved	207	256	244	351	328
Settlements Reported by Attorneys	158	131	90	86	49
Estimated Compliance	76.3%	51.2%	36.9%	24.5%	14.9%

In 2010, the OIC proposed legislation that would have added enforcement mechanisms to the existing law. This legislation was not enacted.<sup>63</sup> Since the OIC does not have an enforcement mechanism to improve compliance, the OIC does not expect any significant increase in the number of settlements reported in future years.

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<sup>63</sup> These bills were introduced as [SB 6412](#) and [HB 2963](#).

## How lawsuits were settled

Most settlements were the result of an alternative dispute resolution process, and these settlements resulted in the second highest average indemnity payment. The largest settlements were the result of a judgment or verdict, averaging \$1 million each. The average attorney fee for settlements resolved in court was \$400,001, or 39.2% of the total judgment or verdict.

<u>Five-year period ending December 31, 2012</u>								
<u>Lawsuit Settlement Method</u>	Number of Settlements with Legal Expenses	Total Legal Expenses	Average Legal Expense paid by Claimant	Number of Settlements with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity to Claimant	Total Attorney Fees	Attorney Fees per Settlement with Indemnity
Verdicts	34	\$7,398,306	\$217,597	15	\$15,293,387	\$1,019,559	\$6,000,009	\$400,001
Alternative Dispute Resolution	271	\$77,891,928	\$287,424	259	\$185,930,617	\$717,879	\$67,704,991	\$261,409
Settled by Parties	196	\$43,747,608	\$223,202	196	\$110,634,106	\$564,460	\$38,333,736	\$195,580
All Other	13	62,538	\$4,811	0	\$0	-	\$0	-
Total	514	129,100,380	\$251,168	470	\$311,858,110	\$663,528	\$112,038,736	\$238,380

Of the 271 settlements resolved by alternative dispute resolution, 236 were resolved in mediation, resulting in \$176.5 million in indemnity payments. The average mediated settlement resulted in an indemnity payment of \$748,092. The average attorney fee for settlements resolved in mediation was \$269,785, or 36.1 percent of the total settlement. When other legal expenses are added, such as expert witnesses, claimants paid an average of \$306,882 for total legal expenses – or 41 percent of the total mediated settlement.

## Settlements by county

<u>Region</u>	<u>Five-year period ending December 31, 2012</u>						
	Settlements with Legal Expenses	Total Legal Expenses	Average Legal Expense	Settlements with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Median Paid Indemnity
King County	191	\$60,473,103	\$316,613	184	\$145,685,465	\$791,769	\$275,000
Pierce County	64	\$8,404,112	\$131,314	50	\$20,274,799	\$405,496	\$212,500
Snohomish County	45	\$12,783,186	\$284,071	41	\$30,692,758	\$748,604	\$250,000
Clark County	44	\$6,341,073	\$144,115	40	\$15,178,500	\$379,463	\$200,000
Yakima-Tri Cities	37	\$10,500,737	\$283,804	33	\$30,202,913	\$915,240	\$300,000
Spokane County	34	\$13,168,453	\$387,307	31	\$27,432,350	\$884,915	\$300,000
East Balance	30	\$3,393,151	\$113,105	26	\$8,712,117	\$335,081	\$119,583
Puget Sound Metro	26	\$5,568,937	\$214,190	25	\$13,076,500	\$523,060	\$325,000
West Balance	22	\$2,565,288	\$116,604	22	\$5,919,122	\$269,051	\$170,000
North Sound	19	\$4,424,798	\$232,884	16	\$10,733,586	\$670,849	\$412,500
Total	512	\$127,622,838	\$249,263	468	\$307,908,110	\$657,923	\$250,000

Attorneys reported settlement data by county where the medical incident occurred.<sup>64</sup> To provide meaningful information regarding differences by location, we divided the state into nine regions.<sup>65</sup> King County had the highest total paid indemnity, and the third highest average paid indemnity. Yakima-Tri Cities had the highest average paid indemnity at \$915,240. The North Sound region had the highest median payment at \$412,500. The average indemnity payment per settlement reported by attorneys was about three times the average indemnity payment reported by insurers on a per defendant basis. It is clear that some settlements reported by attorneys involved multiple defendants.

<sup>64</sup> Claims reported as occurring out of state are not included in this table.

<sup>65</sup> Under [RCW 48.140.060](#) and [RCW 42.56.400](#)(10), some counties are grouped together to maintain confidentiality. **Yakima-Tri Cities** includes Benton, Franklin and Yakima counties. **East balance** includes Adams, Asotin, Chelan, Columbia, Douglas, Ferry, Garfield, Grant, Kittitas, Lincoln, Okanogan, Pend Oreille, Stevens, Walla Walla and Whitman counties. **Puget Sound Metro** includes Kitsap and Thurston counties. **West Balance** includes Clallam, Cowlitz, Grays Harbor, Jefferson, Klickitat, Lewis, Mason, Pacific, Skamania and Wahkiakum counties. **North Sound** includes Island, San Juan, Skagit and Whatcom counties.

## Gender of plaintiff

<u>Gender</u>	<u>Five-year period ending December 31, 2012</u>						
	Settlements with Legal Fees	Total Legal Fees	Average Legal Expense paid by Claimant	Settlements with Paid Indemnity	Total Paid Indemnity	Average Indemnity paid to Claimant	Median Paid Indemnity
Female	287	\$80,261,015	\$279,655	262	\$190,181,598	\$725,884	\$250,000
Male	227	\$48,839,365	\$215,151	208	\$121,676,512	\$584,983	\$268,750
Total	514	\$129,100,380	\$251,168	470	\$311,858,110	\$663,528	\$250,000

These data show females received a higher average settlement than males, but the median settlement was lower. Significantly more settlements involved female claimants: 55.8 percent compared to 44.2 percent with male claimants.

## Age of plaintiff

Attorneys reported the age group of the claimant. This table shows that the most expensive settlements involved newborns and infants. The average paid indemnity for the 20 settlements in this age group was \$2.2 million, yet the median payment was much lower at \$1,000,000. The 11 to 20 age group had the second highest average paid indemnity at \$1.4 million.

<b><u>Five-year period ending December 31, 2012</u></b>							
<b><u>Age Group</u></b>	Settlements with Legal Expenses	Total Legal Expenses	Average Legal Expenses	Settlements with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Median Paid Indemnity
Newborn/Infant	20	\$17,504,072	\$875,204	20	\$43,081,633	\$2,154,082	\$1,000,000
Ages 1-10	11	5,403,920	\$491,265	11	\$14,052,071	\$1,277,461	\$1,000,000
Ages 11-20	20	12,071,225	\$603,561	18	\$25,877,275	\$1,437,626	\$203,750
Ages 21-30	45	9,653,136	\$214,514	34	\$22,870,944	\$672,675	\$262,500
Ages 31-40	71	14,398,500	\$202,796	66	\$34,689,735	\$525,602	\$250,000
Ages 41-50	105	21,762,593	\$207,263	96	\$55,124,017	\$574,209	\$200,000
Ages 51-60	119	23,687,655	\$199,056	111	\$58,905,921	\$530,684	\$250,000
Ages 61-70	57	12,559,743	\$220,346	52	\$29,133,349	\$560,257	\$300,000
Ages 71-80	44	7,972,335	\$181,189	41	\$19,063,165	\$464,955	\$180,000
Ages 81 and over	22	4,087,201	\$185,782	21	\$9,060,000	\$431,429	\$270,000
Total	514	129,100,380	\$251,168	470	\$311,858,110	\$663,528	\$250,000

## Report limitations

Analysis based on historical closed claim data has limitations:

1. There is a natural mismatch between premiums and losses used to calculate loss ratios and profitability ratios for commercial insurers. Premiums used for loss ratios are earned during the calendar year, but the amounts booked as incurred loss during the same calendar year are from claims from various accident years. As a result, most losses do not correspond to the same policies that the premium comes from.
2. Claims are reported based on the year in which they reach final resolution. Some arose from recent medical incidents, but many arose from incidents that occurred several years ago.
3. This report contains claims that closed during a limited period.
4. The OIC cannot use data in this report to evaluate past or current medical professional liability insurance rates. Insurers develop medical malpractice rates using an analysis of open and closed claims, and develop rates based on an estimate of expected future claim costs and expenses.
5. In producing this report, the OIC has relied upon data submitted to it by insurers, self-insurers, and attorneys. Data may contain anomalies. The OIC audits data to improve the accuracy, consistency, and completeness of these data. OIC adopted administrative rules that contain data definitions and reporting instructions, but the accuracy of the report still depends largely on the accuracy of the data reported by insurers and self-insurers and attorneys. People who report data may interpret data fields differently or make errors.
6. The OIC has not adjusted these data for economic differences occurring during the report period, such as inflation and the cost of medical care.
7. These data do not distinguish between policies and coverage amounts. Insurers and self-insurers do not report policy limits, so the report does not analyze the data by type of policy, whether coverage is primary or excess, limits of coverage, or size of deductibles or retentions to determine if coverage limits affect the frequency or severity of claims.
8. Insurers and self-insurers reported data separately for each defendant. This reporting method may overstate the frequency of “incidents” and understate the severity of an “incident,” but it keeps inconsistencies and inaccuracies to a minimum by limiting the amount of incomplete reporting by insurers and self-insurers.
9. This report analyzes only closed claims data. Any claims that are still open, such as claims that are in settlement negotiations or on trial, are not included in this study. The analysis of closed claim information is valuable; however, open claims information may be more indicative of the current claims environment. For example, the impact of recent legislation or judicial decisions will not be reflected in a closed claim database.
10. Although insurers and self-insurers report data only after the claim has been closed, they occasionally re-open claims that were previously closed. Amounts reported may not be the true, ultimate amounts.

## **Appendices**

## Appendix A: Profitability

<b>Physicians Insurance, A Mutual Company</b>												
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
<u>Year</u>	Net Premium Written	Underwriting Expenses Incurred	Expense Ratio [b/a]	Net Premiums Earned	Losses and Loss Adjustment Expenses	Loss Ratio [e/d]	Policyholder Dividends	Dividend Ratio [g/d]	Combined Ratio	Net Investment Income	Net Investment Income Ratio [j/d]	Operating Ratio [i-k]
2003	80,541,152	8,449,450	10.5%	82,411,991	83,646,815	101.5%	-2,650	0.0%	112.0%	10,446,767	12.7%	99.3%
2004	82,585,652	8,599,377	10.4%	81,804,586	75,648,999	92.5%	-1,072	0.0%	102.9%	10,399,667	12.7%	90.2%
2005	79,680,093	9,727,075	12.2%	80,356,928	67,266,247	83.7%	0	0.0%	95.9%	11,093,179	13.8%	82.1%
2006	81,465,385	9,634,830	11.8%	82,215,219	64,090,997	78.0%	0	0.0%	89.8%	12,242,635	14.9%	74.9%
2007	76,987,526	6,909,185	9.0%	78,287,526	44,521,719	56.9%	0	0.0%	65.8%	13,606,817	17.4%	48.5%
2008	71,282,640	10,716,243	15.0%	70,282,640	35,816,649	51.0%	5,048,015	7.2%	73.2%	13,982,185	19.9%	53.3%
2009	71,177,910	10,940,954	15.4%	70,577,910	46,775,240	66.3%	5,055,023	7.2%	88.8%	13,781,265	19.5%	69.3%
2010	69,704,876	11,304,529	16.2%	65,704,876	46,581,041	70.9%	5,064,296	7.7%	94.8%	13,636,915	20.8%	74.1%
2011	73,321,941	11,206,238	15.3%	70,370,781	58,164,474	82.7%	5,050,240	7.2%	105.1%	13,338,762	19.0%	86.2%
2012	67,765,626	12,136,167	17.9%	65,640,184	52,544,310	80.0%	5,069,039	7.7%	105.7%	12,759,941	19.4%	86.2%
Total	754,512,801	99,624,048	13.2%	747,652,641	575,056,491	76.9%	25,282,891	3.4%	93.5%	125,288,133	16.8%	76.7%
<b>Five-Year Period-to-Period Results</b>												
2003-2007	401,259,808	43,319,917	10.8%	405,076,250	335,174,777	82.7%	-3,722	0.0%	93.5%	57,789,065	14.3%	79.3%
2008-2012	353,252,993	56,304,131	15.9%	342,576,391	239,881,714	70.0%	25,286,613	7.4%	93.3%	67,499,068	19.7%	73.6%



**Doctors Company, An Interinsurance Exchange**

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
<u>Year</u>	Net Premium Written	Underwriting Expenses Incurred	Expense Ratio [b/a]	Net Premiums Earned	Losses and Loss Adjustment Expenses	Loss Ratio [e/d]	Policyholder Dividends	Dividend Ratio [g/d]	Combined Ratio	Net Investment Income	Net Investment Income Ratio [j/d]	Operating Ratio [i-k]
2003	336,426,292	56,087,868	16.7%	331,287,350	363,035,624	109.6%	0	0.0%	126.3%	32,913,169	9.9%	116.3%
2004	459,727,858	84,889,359	18.5%	444,353,663	366,701,151	82.5%	0	0.0%	101.0%	34,487,835	7.8%	93.2%
2005	455,173,136	80,764,821	17.7%	449,816,620	283,405,291	63.0%	0	0.0%	80.7%	37,364,855	8.3%	72.4%
2006	493,082,275	97,776,987	19.8%	478,224,850	247,969,818	51.9%	21,000,000	4.4%	76.1%	44,970,862	9.4%	66.7%
2007	516,655,334	104,988,328	20.3%	521,729,949	255,575,118	49.0%	23,128,514	4.4%	73.7%	61,504,372	11.8%	62.0%
2008	500,493,524	101,299,086	20.2%	499,926,491	238,949,228	47.8%	121,450	0.0%	68.1%	94,665,140	18.9%	49.1%
2009	555,108,478	110,584,657	19.9%	547,603,861	318,310,083	58.1%	12,976,400	2.4%	80.4%	71,312,564	13.0%	67.4%
2010	527,973,477	118,217,900	22.4%	525,540,006	293,984,096	55.9%	13,838,518	2.6%	81.0%	149,742,807	28.5%	52.5%
2011	564,467,114	120,861,889	21.4%	536,671,691	338,084,016	63.0%	17,898,564	3.3%	87.7%	140,035,865	26.1%	61.6%
2012	596,528,843	118,162,349	19.8%	584,386,263	403,909,176	69.1%	18,824,501	3.2%	92.1%	89,575,627	15.3%	76.8%
Total	5,005,636,331	993,633,244	19.9%	4,919,540,744	3,109,923,601	63.2%	107,787,947	2.2%	85.3%	756,573,096	15.4%	69.9%
<b><u>Five-Year Period-to-Period Results</u></b>												
2003-2007	2,261,064,895	424,507,363	18.8%	2,225,412,432	1,516,687,002	68.2%	44,128,514	2.0%	88.9%	211,241,093	9.5%	79.4%
2008-2012	2,744,571,436	569,125,881	20.7%	2,694,128,312	1,593,236,599	59.1%	63,659,433	2.4%	82.2%	545,332,003	20.2%	62.0%

<b><u>The Medical Protective Company</u></b>												
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Year	Net Premium Written	Underwriting Expenses Incurred	Expense Ratio [b/a]	Net Premiums Earned	Losses and Loss Adjustment Expenses	Loss Ratio [e/d]	Policyholder Dividends	Dividend Ratio [g/d]	Combined Ratio [c+f+h]	Net Investment Income	Net Investment Income Ratio [j/d]	Operating Ratio [i-k]
2006	337,385,540	53,679,435	15.9%	299,621,579	223,126,825	74.5%	0	0.0%	90.4%	56,193,970	18.8%	71.6%
2007	343,121,058	53,155,078	15.5%	345,302,263	277,757,402	80.4%	0	0.0%	95.9%	57,887,667	16.8%	79.2%
2008	343,234,053	53,664,734	15.6%	343,846,447	254,434,736	74.0%	0	0.0%	89.6%	71,516,856	20.8%	68.8%
2009	333,975,622	62,412,706	18.7%	332,499,778	240,630,531	72.4%	0	0.0%	91.1%	83,892,685	25.2%	65.8%
2010	334,684,035	64,039,347	19.1%	322,277,708	190,873,450	59.2%	0	0.0%	78.4%	85,414,752	26.5%	51.9%
2011	327,172,569	80,572,831	24.6%	302,854,289	147,482,689	48.7%	0	0.0%	73.3%	95,314,696	31.5%	41.9%
2012	643,824,861	96,030,575	14.9%	616,894,746	442,008,223	71.7%	0	0.0%	86.6%	128,234,185	20.8%	65.8%
Total	2,019,572,877	367,524,131	18.2%	1,946,402,064	1,334,305,633	68.6%	0	0.0%	86.8%	450,220,626	23.1%	63.6%

## Appendix B: Reserve development

<u>Physicians Insurance, A Mutual Company</u>													
Incurred net losses and defense and cost containment expenses reported at year-end (\$'000 omitted)													
Year in Which Loss Occurred	Incurred Net Losses 2003	Incurred Net Losses 2004	Incurred Net Losses 2005	Incurred Net Losses 2006	Incurred Net Losses 2007	Incurred Net Losses 2008	Incurred Net Losses 2009	Incurred Net Losses 2010	Incurred Net Losses 2011	Incurred Net Losses 2012	One Year Development	Two Year Development	Cumulative Development
Prior	113,446	103,851	103,300	103,214	101,525	102,667	100,601	93,329	88,892	88,430	-462	-4,899	-25,016
2003	70,740	71,726	69,451	62,374	59,805	56,395	56,944	54,667	52,253	52,170	-83	-2,497	-18,570
2004		74,801	76,075	77,427	72,529	61,848	57,262	54,124	51,422	50,938	-484	-3,186	-23,863
2005			58,927	57,553	56,813	50,539	50,419	48,778	48,570	45,737	-2,833	-3,041	-13,190
2006				58,655	51,073	47,126	50,657	47,881	44,851	43,507	-1,344	-4,374	-15,148
2007					51,458	43,568	37,383	35,768	36,921	34,514	-2,407	-1,254	-16,944
2008						57,137	44,684	38,672	36,794	33,629	-3,165	-5,043	-23,508
2009							55,629	54,621	51,841	50,073	-1,768	-4,548	-5,556
2010								61,648	52,493	48,490	-4,003	-13,158	-13,158
2011									68,571	61,519	-7,052		-7,052
2012										64,479			
										<b>Totals</b>	-23,601	-42,000	-162,005

**Doctors Company, An Interinsurance Exchange**

Incurred net losses and defense and cost containment expenses reported at year-end (\$000 omitted)

Year in Which Loss Occurred	Incurred Net Losses 2003	Incurred Net Losses 2004	Incurred Net Losses 2005	Incurred Net Losses 2006	Incurred Net Losses 2007	Incurred Net Losses 2008	Incurred Net Losses 2009	Incurred Net Losses 2010	Incurred Net Losses 2011	Incurred Net Losses 2012	One Year Development	Two Year Development	Cumulative Development
Prior	409,430	461,012	455,454	434,355	426,635	415,477	427,829	427,228	397,155	394,016	-18,428	-18,603	-15,414
2003	260,945	252,545	247,941	241,635	232,666	227,744	218,152	219,755	213,606	211,541	-2,065	-8,214	-49,404
2004		287,024	269,578	256,514	236,389	199,653	194,331	182,386	187,416	185,992	-1,424	3,606	-101,032
2005			273,690	250,985	235,740	230,535	153,981	151,133	160,942	161,837	895	10,704	-111,853
2006				285,546	266,290	262,538	226,313	188,137	182,573	182,943	370	-5,194	-102,603
2007					309,812	293,210	286,848	221,388	194,708	193,339	-1,369	-28,049	-116,473
2008						282,251	286,591	286,186	294,745	245,867	-48,878	-40,319	-36,384
2009							382,196	359,494	327,778	323,624	-4,154	-35,870	-58,572
2010								384,936	360,284	358,923	-1,361	-26,013	-26,013
2011									402,382	401,470	-912		-912
2012										437,363			
										<b>Totals</b>	-77,326	-147,952	-618,660

**The Medical Protective Company**

Incurred net losses and defense and cost containment expenses reported at year-end (\$000 omitted)

Year in Which Loss Occurred	Incurred Net Losses 2003	Incurred Net Losses 2004	Incurred Net Losses 2005	Incurred Net Losses 2006	Incurred Net Losses 2007	Incurred Net Losses 2008	Incurred Net Losses 2009	Incurred Net Losses 2010	Incurred Net Losses 2011	Incurred Net Losses 2012	One Year Development	Two Year Development	Cumulative Development
Prior	643,050	666,721	620,827	635,387	667,539	677,137	675,488	674,822	672,453	691,356	18,903	16,534	48,306
2003	564,745	565,245	393,980	379,249	369,713	369,401	374,091	373,095	370,573	369,059	-1,514	-4,036	-195,686
2004		424,338	239,018	220,036	208,945	198,371	187,553	176,324	171,147	167,547	-3,600	-8,777	-256,791
2005			186,317	182,699	172,663	163,122	153,353	135,757	121,087	120,248	-839	-15,509	-66,069
2006				230,307	219,045	207,190	195,312	157,294	131,346	124,635	-6,711	-32,659	-105,672
2007					278,967	265,104	251,428	237,911	187,241	180,017	-7,224	-57,894	-98,950
2008						285,000	271,527	257,782	244,108	222,419	-21,689	-35,363	-62,581
2009							291,750	278,022	264,576	287,984	23,408	9,962	-3,766
2010								293,913	279,180	305,693	26,513	11,780	11,780
2011									282,074	314,451	32,377		32,377
2012										322,195			
										<b>Totals</b>	59,624	-115,962	-697,052

## Appendix C: Rate filing information

<u>NAIC Code</u>	<u>Company</u>	<u>Description</u>	<u>Approved Change</u>	<u>Effective Date</u>
	Insurance Services Office Inc.	Hospitals, Physicians, Surgeons and Dentists	-10.7%	11/1/2013
10801	Fortress Insurance Co.	Dentists	4.4%	8/1/2013
19445	National Union Fire Ins. Co. of Pittsburgh, PA	Nurse Practitioners	New Program	4/4/2013
34495	Doctors Company An Interinsurance Exchange	Physicians and Surgeons	-2.8%	4/1/2013
11843	Medical Protective Company	Multi-Specialty Health Care Providers	New Program	4/1/2013
11843	Medical Protective Company	Allied Health	-32.0%	4/1/2013
18694	Great Midwest Ins. Co.	Allied Health	New Program	3/13/2013
11127	Professional Solutions Insurance Co.	Dentists	-0.8%	1/1/2013
32417	Northwest Dentists Ins. Co.	Dentists	5.2%	1/1/2013
35157	Fair American Ins. And Reinsurance Co.	Neurologists	New Program	1/1/2013
11843	Medical Protective Company	Physicians and Surgeons	-2.8%	12/31/2012
22810	Chicago Insurance Co.	Healthcare Services	New Program	12/1/2012
20427	American Casualty Co. of Reading, PA	Healthcare Providers Services Organization	5.4%	12/1/2012
10120	Everest National Insurance Co.	Allied Health	New Program	10/1/2012
23809	Granite State Insurance Co.	General Healthcare Provider	2.3%	9/21/2012
19445	National Union Fire Ins. Co. of Pittsburgh, PA	Dentists	6.4%	8/3/2012
25224	Great Divide Insurance Co.	Optometrists	New Program	8/2/2012
10801	Fortress Insurance Co.	Dentists	11.2%	8/1/2012
34495	Doctors Company An Interinsurance Exchange	Physicians and Surgeons	-6.6%	7/1/2012
22667	Ace American Insurance Co.	Allied Health	New Program	6/28/2012
14460	Podiatry Ins. Co. of America	Podiatrists	7.0%	6/1/2012
11843	Medical Protective Company	Dentists	-0.3%	4/1/2012
20443	Continental Casualty Co.	Dentists	4.7%	3/5/2012
37540	Beazley Insurance Company Inc.	Miscellaneous Medical Facilities	New program	2/29/2012
19445	National Union Fire Ins. Co. of Pittsburgh, PA	Chiropractors	26.8%	2/10/2012
32417	Northwest Dentists Ins. Co.	Dentists	3.0%	1/1/2012
40738	Physicians Insurance A Mutual Co.	Hospitals	-1.0%	12/31/2011
22667	Ace American Insurance Co.	Allied Health	-0.2%	12/15/2011
13714	Pharmacists Mutual Ins. Co.	Pharmacy Services	-1.0%	12/1/2011

For the three largest writers of physicians and surgeons insurance in Washington, there were two new rate proposals since last year. The Doctors Company and the Medical Protective Company each lowered rates by 2.8 percent. The Doctors Company began issuing policyholder dividends on a countrywide basis in 2006, and these dividends now total over \$100 million. Physicians Insurance has issued policyholder dividends of over \$5 million per year from 2008 to 2012.

Physicians Insurance			
Rate Fling Selections	2008 Filing	2009 Filing	Difference
Selected Frequency:	5.6%	5.2%	-0.4%
Selected Severity:	\$82,500	\$80,000	-\$2,500
Selected Pure Premium:	\$4,300	\$3,980	-\$320
Selected Annual Trend:	4.0%	4.0%	0.0%

Doctors Company			
Rate Fling Selections	2012 Filing	2013 Filing	Difference
Selected Frequency:	6.7%	6.7%	0.0%
Selected Severity:	\$113,000	\$115,750	\$2,750
Selected Pure Premium:	\$7,571	\$7,755	\$184
Selected Annual Trend:	3.5%	3.5%	0.0%

Medical Protective Company			
Rate Fling Selections	2010 Filing	2013 Filing	Difference
Selected Frequency:	n/a	n/a	
Selected Severity:	n/a	n/a	
Selected Pure Premium:	\$7,466	\$6,689	-\$777
Selected Annual Trend:	5.0%	4.0%	-1.0%

The Medical Protective Company made a significant change to its rate-making process in the 2013 filing. In the 2010 filing, its rates were based on a \$200,000 policy limit, relying on increased limit factors to develop premiums for higher coverage limits. In 2013, it based rates on a \$1 million policy limit – which is the most common limit of coverage for physicians. The 2010 pure premium shown above was adjusted to account for this difference.

Physicians Insurance			
Year	2008 Filing	2009 Filing	Difference
1990	\$11,243	\$11,243	\$0
1991	\$21,466	\$21,466	\$0
1992	\$23,299	\$24,594	\$1,295
1993	\$22,281	\$22,281	\$0
1994	\$25,950	\$25,950	\$0
1995	\$34,470	\$34,436	-\$34
1996	\$27,234	\$27,207	-\$27
1997	\$33,050	\$32,984	-\$66
1998	\$33,971	\$33,760	-\$211
1999	\$29,259	\$29,322	\$63
2000	\$33,791	\$33,331	-\$460
2001	\$35,098	\$34,715	-\$383
2002	\$29,413	\$29,891	\$478
2003	\$27,765	\$26,938	-\$827
2004	\$28,954	\$28,782	-\$172
2005	\$29,498	\$28,706	-\$792
2006	\$28,842	\$26,899	-\$1,943
2007		\$23,987	
2008			
2009			
2010			
2011			
Total			-\$3,079

These tables show insurer estimates of loss and defense costs by year that claims were reported. For each company, the two estimates shown are from that company's two most recent rate filings. For Medical Protective, the 2010 filing figures include an adjustment to account for the different loss limits used in the more recent filing. The 2010 filing showed losses limited to \$200,000. The 2013 filing estimated losses limited to \$1,000,000.

The Doctors Company		
2012 Filing	2013 Filing	Difference
\$14,328	\$14,328	\$0
\$7,955	\$7,954	-\$1
\$8,262	\$8,262	\$0
\$10,114	\$9,947	-\$167
\$5,670	\$5,685	\$15
\$11,700	\$11,550	-\$150
\$10,500	\$10,150	-\$350
\$6,850	\$7,900	\$1,050
\$12,400	\$12,600	\$200
		\$597

Medical Protective		
2010 Filing	2013 Filing	Difference
\$6,934	\$7,569	\$635
\$5,785	\$6,059	\$274
\$3,712	\$4,783	\$1,071
\$4,018	\$1,317	-\$2,701
	\$4,031	
	\$3,374	
	\$3,994	
		\$1,979

Data displayed in thousands.



## Appendix D: 2011 NAIC Profitability Report - Medical Professional Liability Insurance

State	Direct Premiums Earned (000s)	Percent of Direct Premiums Earned										Percent of Net Worth			Return on Net Worth
		Losses Incurred	Loss Adjust Expense	General Expense	Selling Expense	Taxes License Fees	Dividend to Plcyhldr	Under- writing Profit	Invest Gain on Ins. Trans.	Tax on Ins. Trans.	Profit on Ins. Trans.	Earned Prem. to Net Worth	Inv. Gain on Net Worth	Tax on Inv.Gain on Net Worth	
Alabama	134,306	10.0	22.6	8.6	7.4	1.4	0.8	49.6	16.6	21.6	44.5	42.1	4.5	1.1	22.1
Alaska	22,614	22.6	23.1	8.6	8.3	1.9	19.5	16.3	10.7	8.4	18.6	55.9	4.5	1.2	13.7
Arizona	243,599	15.3	12.6	8.6	10.9	1.1	24.7	27.2	12.8	12.8	27.2	49.1	4.5	1.2	16.8
Arkansas	70,437	35.9	15.4	8.6	12.0	2.4	3.7	22.3	17.6	12.3	27.6	40.3	4.6	1.2	14.5
California	813,264	33.4	30.4	8.6	11.2	1.9	4.2	10.6	10.3	6.3	14.6	57.5	4.6	1.2	11.8
Colorado	162,109	19.3	25.6	8.6	8.7	1.2	7.0	29.9	11.4	13.4	27.9	53.8	4.5	1.2	18.4
Connecticut	173,973	36.3	18.4	8.6	11.0	2.4	0.2	23.4	20.9	13.5	30.8	35.4	4.6	1.2	14.3
Delaware	38,657	36.3	23.5	8.6	12.2	1.9	0.6	17.1	15.0	9.8	22.3	43.9	4.6	1.2	13.2
Dist. of Columbia	35,733	19.3	14.0	8.6	11.6	2.6	0.5	43.7	17.3	19.7	41.3	39.9	4.6	1.2	19.9
Florida	551,806	23.5	19.8	8.6	13.4	1.3	1.1	32.5	14.2	15.0	31.7	46.5	4.6	1.2	18.2
Georgia	287,315	24.7	17.2	8.6	10.7	2.9	3.5	32.6	15.8	15.4	33.0	42.9	4.6	1.2	17.6
Hawaii	30,205	53.2	18.9	8.6	9.1	3.0	16.3	-8.8	12.7	0.2	3.8	50.1	4.5	1.2	5.3
Idaho	35,779	18.9	-5.9	8.6	12.0	1.7	8.1	57.0	12.1	23.1	46.1	52.0	4.6	1.2	27.4
Illinois	596,231	21.8	25.9	8.6	12.8	1.2	3.6	26.4	19.1	14.1	31.4	38.0	4.6	1.2	15.3
Indiana	125,086	25.3	17.1	8.6	10.2	2.3	0.3	36.6	20.0	17.9	38.7	36.9	4.5	1.2	17.6
Iowa	78,017	27.1	21.5	8.6	12.3	1.1	3.2	26.5	11.9	12.3	26.0	53.4	4.6	1.2	17.3
Kansas	75,775	12.1	14.5	8.6	11.5	1.3	2.1	50.3	12.5	20.8	42.0	52.0	4.5	1.2	25.2
Kentucky	139,185	35.2	28.8	8.6	11.0	1.8	1.4	13.5	18.5	9.4	22.5	39.0	4.5	1.2	12.2
Louisiana	101,403	6.0	31.3	8.6	10.1	1.5	5.1	37.8	16.7	17.5	37.0	42.3	4.5	1.2	19.0
Maine	50,182	26.9	18.6	8.6	9.3	1.7	2.3	32.8	12.6	14.7	30.7	50.3	4.5	1.2	18.8

State	Direct Premiums Earned (000s)	Percent of Direct Premiums Earned										Percent of Net Worth			Return on Net Worth
		Losses Incurred	Loss Adjust Expense	General Expense	Selling Expense	Taxes License Fees	Dividend to Plyhldr	Under- writing Profit	Invest Gain on Ins. Trans.	Tax on Ins. Trans.	Profit on Ins. Trans.	Earned Prem. to Net Worth	Inv. Gain on Net Worth	Tax on Inv.Gain on Net Worth	
Maryland	280,718	36.5	25.4	8.6	10.3	1.7	13.3	4.6	11.1	4.5	11.3	55.0	4.5	1.2	9.6
Massachusetts	318,207	28.8	14.8	8.6	9.4	2.3	2.9	33.4	22.3	17.4	38.3	34.3	4.5	1.2	16.5
Michigan	204,115	15.5	24.8	8.6	13.1	1.3	0.4	36.7	6.9	14.6	29.0	74.4	4.6	1.2	25.0
Minnesota	88,845	41.8	21.8	8.6	11.0	1.8	2.2	13.1	10.4	7.2	16.2	58.9	4.5	1.2	13.0
Mississippi	57,996	18.9	13.2	8.6	14.9	2.4	1.1	41.2	14.9	18.2	37.9	45.2	4.6	1.2	20.6
Missouri	186,319	21.8	16.8	8.6	11.3	0.9	7.0	33.9	5.7	13.3	26.2	82.6	4.5	1.2	25.1
Montana	41,782	43.1	21.0	8.6	9.9	2.1	0.7	14.9	11.5	8.2	18.3	55.0	4.5	1.2	13.4
Nebraska	36,953	35.6	26.2	8.6	10.7	1.5	2.9	14.8	13.3	8.6	19.5	49.0	4.5	1.2	13.0
Nevada	86,297	17.3	31.1	8.6	11.3	2.8	1.4	27.9	13.1	13.1	27.9	49.3	4.6	1.2	17.1
New Hampshire	40,212	41.2	25.1	8.6	12.2	1.7	1.9	9.7	14.6	7.1	17.2	45.4	4.6	1.2	11.2
New Jersey	497,994	41.5	22.7	8.6	12.7	1.5	0.5	12.9	18.2	9.1	21.9	39.4	4.6	1.2	12.0
New Mexico	52,742	58.9	36.0	8.6	10.3	1.0	0.2	-14.7	14.7	-1.4	1.4	46.2	4.5	1.2	4.0
New York	1,670,150	64.7	35.3	8.6	6.0	2.9	0.1	-17.3	24.2	0.1	6.8	32.1	4.5	1.2	5.5
North Carolina	230,410	16.0	21.1	8.6	11.1	1.8	2.5	39.3	12.8	17.0	35.0	50.1	4.6	1.2	20.9
North Dakota	13,246	46.1	25.5	8.6	16.1	1.8	1.0	1.2	10.1	3.0	8.3	58.5	4.6	1.2	8.3
Ohio	331,889	16.2	12.1	8.6	12.8	1.7	1.7	47.2	17.4	21.0	43.6	40.4	4.6	1.2	21.0
Oklahoma	117,717	38.8	28.2	8.6	11.9	2.1	0.3	10.4	13.6	7.1	16.9	49.0	4.6	1.2	11.7
Oregon	102,905	30.9	13.7	8.6	9.4	1.2	2.8	33.7	10.3	14.4	29.6	57.5	4.5	1.2	20.4
Pennsylvania	702,493	47.7	24.3	8.6	8.9	1.7	1.1	8.1	16.3	7.0	17.4	43.0	4.5	1.2	10.8
Rhode Island	43,043	51.3	23.4	8.6	11.8	2.3	0.1	2.8	27.2	7.9	22.1	28.9	4.6	1.2	9.8
South Carolina	60,337	47.6	30.7	8.6	11.8	3.1	2.0	-3.6	13.1	2.1	7.5	48.7	4.6	1.2	7.0
South Dakota	19,833	36.7	15.2	8.6	13.5	2.3	3.2	20.8	12.7	10.5	23.0	51.1	4.6	1.2	15.1
Tennessee	236,597	31.4	26.7	8.6	7.8	0.8	6.3	18.7	18.7	11.3	26.1	38.9	4.5	1.2	13.5

State	Direct Premiums Earned (000s)	Percent of Direct Premiums Earned										Percent of Net Worth			Return on Net Worth
		Losses Incurred	Loss Adjust Expense	General Expense	Selling Expense	Taxes License Fees	Dividend to Plyhldr	Under- writing Profit	Invest Gain on Ins. Trans.	Tax on Ins. Trans.	Profit on Ins. Trans.	Earned Prem. to Net Worth	Inv. Gain on Net Worth	Tax on Inv.Gain on Net Worth	
Texas	333,707	10.8	13.9	8.6	13.1	1.1	0.6	52.2	13.8	21.8	44.2	47.4	4.6	1.2	24.4
Utah	67,872	13.8	30.6	8.6	8.1	2.0	1.6	35.6	14.9	16.3	34.2	46.3	4.5	1.2	19.2
Vermont	21,922	11.4	18.3	8.6	12.8	2.5	0.9	45.9	14.1	19.7	40.3	46.4	4.6	1.2	22.1
Virginia	215,214	24.0	17.8	8.6	12.8	2.1	1.7	33.3	11.9	14.7	30.5	52.2	4.6	1.2	19.3
<b>Washington</b>	<b>201,196</b>	<b>35.0</b>	<b>23.4</b>	<b>8.6</b>	<b>9.8</b>	<b>1.7</b>	<b>3.5</b>	<b>18.4</b>	<b>12.5</b>	<b>9.6</b>	<b>21.2</b>	<b>51.9</b>	<b>4.5</b>	<b>1.2</b>	<b>14.4</b>
West Virginia	83,142	52.7	19.9	8.6	11.1	3.5	0.4	4.0	11.8	4.4	11.4	52.9	4.6	1.2	9.5
Wisconsin	91,735	14.8	0.7	8.6	10.8	0.7	0.9	63.8	19.2	27.2	55.8	38.1	4.5	1.2	24.6
Wyoming	26,145	57.1	31.0	8.6	13.1	2.0	1.7	-13.3	8.2	-2.5	-2.5	66.4	4.6	1.2	1.8
Guam	710	-46.5	-17.8	8.6	11.5	4.8	0.1	139.7	3.5	49.8	93.4	94.0	4.6	1.2	91.3
Puerto Rico	69,541	34.1	22.2	8.6	13.8	0.5	0.0	21.1	11.2	10.2	22.0	54.6	4.6	1.2	15.4
US Virgin Islands	168	43.0	25.1	8.6	24.1	2.6	2.2	-5.3	6.8	-0.1	1.6	69.9	4.8	1.2	4.7
<b>Countrywide</b>	<b>10,297,827</b>	<b>34.5</b>	<b>23.9</b>	<b>8.6</b>	<b>10.4</b>	<b>1.9</b>	<b>2.9</b>	<b>18.1</b>	<b>16.3</b>	<b>10.5</b>	<b>23.9</b>	<b>42.8</b>	<b>4.5</b>	<b>1.2</b>	<b>13.6</b>
<b>Average</b>	<b>190,701</b>	<b>29.3</b>	<b>20.6</b>	<b>8.6</b>	<b>11.4</b>	<b>1.9</b>	<b>3.3</b>	<b>25.2</b>	<b>14.1</b>	<b>12.4</b>	<b>26.9</b>	<b>49.5</b>	<b>4.6</b>	<b>1.2</b>	<b>16.8</b>
<b>Median</b>	<b>90,290</b>	<b>29.9</b>	<b>22.0</b>	<b>8.6</b>	<b>11.3</b>	<b>1.8</b>	<b>1.7</b>	<b>24.9</b>	<b>13.2</b>	<b>12.6</b>	<b>26.7</b>	<b>49.0</b>	<b>4.6</b>	<b>1.2</b>	<b>15.4</b>